

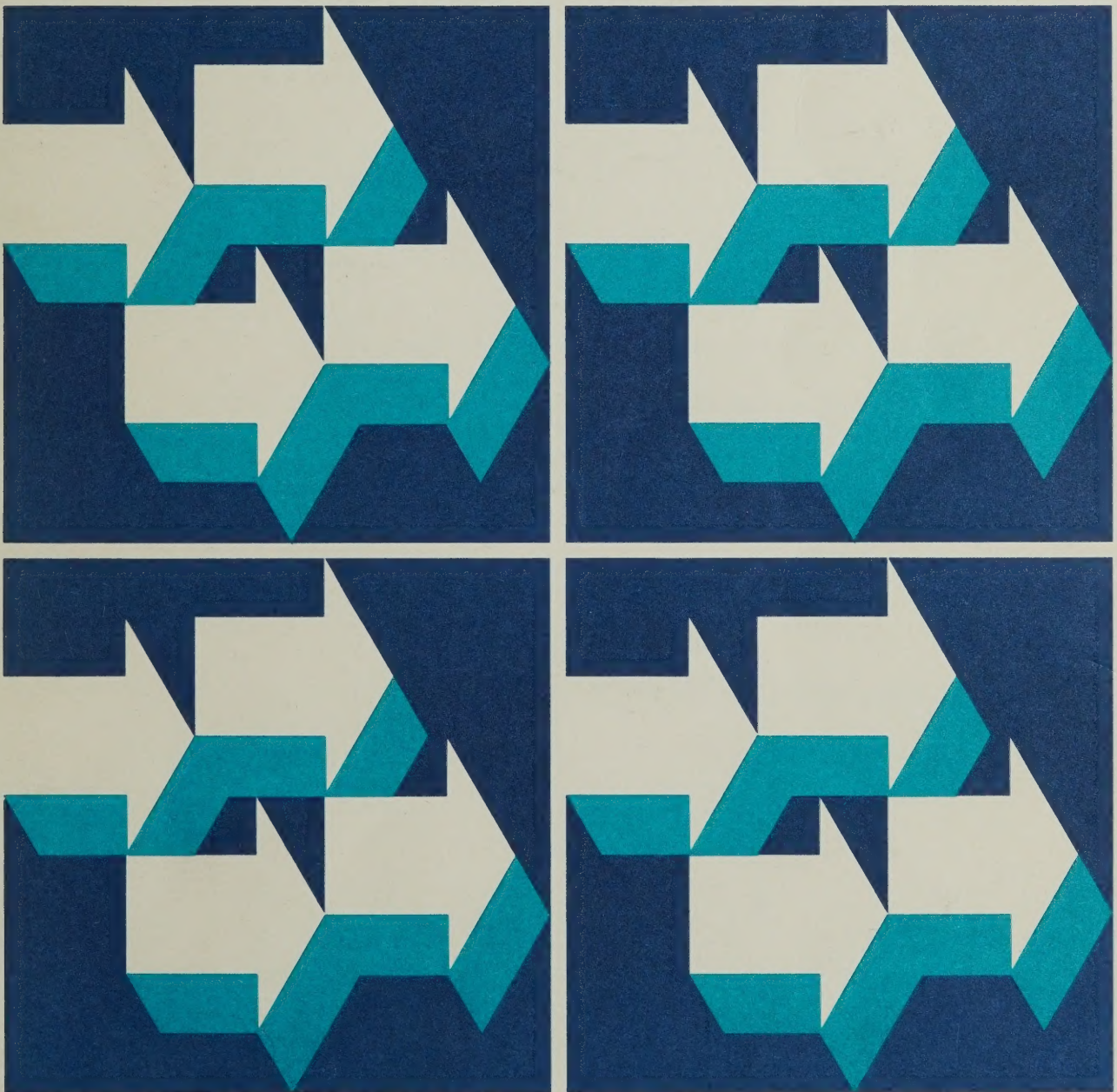


Canadian International  
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Agence canadienne de  
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# Elements of Canada's Official Development Assistance Strategy 1984



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Elements  
of Canada's  
Official Development  
Assistance Strategy  
1984

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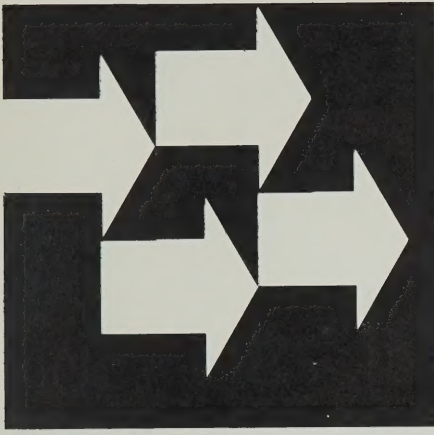
with the authorization of the Deputy Prime Minister and  
Secretary of State for External Affairs,  
The Honourable Allan J. MacEachen

Hull, 1984

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# Minister's Message

*Manfred S. ...*  
Minister of ...



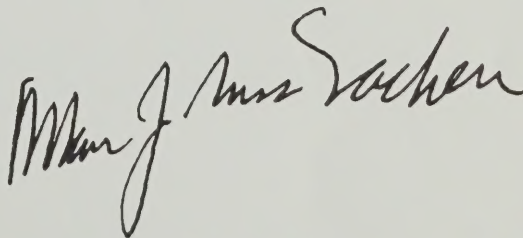
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Canada's involvement in Third World development is this country's primary and most effective instrument for promoting closer and mutually beneficial relations with many developing countries. That instrument can serve not only Canada's global interest in international stability, security and justice, but also our national interest in promoting international trade, and in strengthening Canada's presence in world markets. Thus, Official Development Assistance programmes are profoundly important to Canada's place in the world, and to our desire to help create a better life for our own people, and for all peoples.

It is therefore important that the people of Canada become more aware of our interdependence with developing countries, and of the resulting challenges and opportunities. That is the reason for this publication. It was originally prepared for the use of representatives of the Canadian development community whom I invited to participate in a colloquium on Canada's development policies and programmes, held in Ottawa in March 1984.

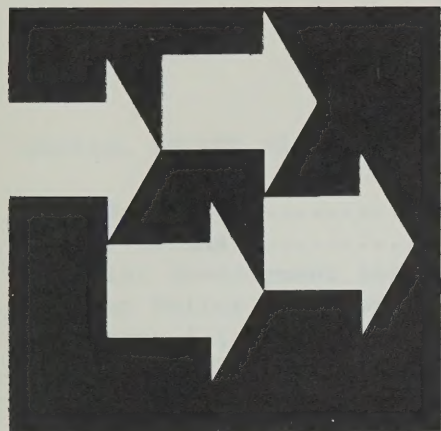
It became apparent that many other people interested in Canada's relations with Third World countries might also find this material informative and useful. For that reason, I have decided to make it available for wider distribution.

A handwritten signature in dark ink, reading "Allan J. MacEachen". The signature is written in a cursive style, with the first name "Allan" and the last name "MacEachen" being more prominent than the middle initial "J".

Allan J. MacEachen







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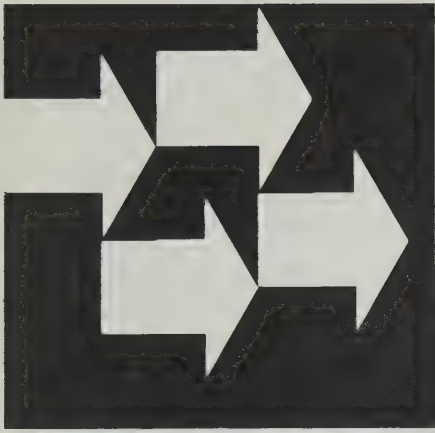
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# General Policy Framework



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## INTRODUCTION

Although the world economic climate has improved markedly during the last year, the international economic and political environment remains uncertain. The optimism of the post World War II period - which was marked by the notably successful reconstruction of Europe, Japan and South East Asia, by the emergence into political independence of nearly 100 states and by unprecedented economic growth nationally and internationally - has now been eroded by years of intractable economic and social problems, and frustrated hopes in many countries.

It is no longer useful, if it ever was, to consider the Third World as an homogeneous group. The difference in living standards between Singapore and Bangladesh is larger than the difference between Singapore and many developed countries. Particularly at the upper end of the development scale, the newly-industrialized countries and the middle-income countries are emerging toward development levels comparable to those of West European countries in the late fifties. They are and should continue at an accelerated rate to assume the obligations of their increasing benefits from the international economic system.

Despite this fact, in the Third World, many countries have been crippled in their efforts to carry forward their economic and social development programmes. They suffer from declining terms of trade and debt burdens which have exacerbated the long list of other problems such as high population growth rates, inadequate domestic policies, increasing unemployment, lower export earnings, reduced government revenues, declining rates of investment and capital formation, higher costs of imported goods and services, a weak private sector, and inadequate management personnel. The vulnerability of the economies of developing countries was particularly evident during the recent recession which, following closely upon the second "oil shock" (1979), saw the terms of trade of low-income countries deteriorate by about 25 per cent between 1979 and 1983. While the oil-importing developing countries have benefitted recently from lower oil prices, reduced inflation in manufactured imports and lower interest rates, these beneficial effects were more than offset by steep declines in commodity prices.

In Canada, the recession has heightened awareness of the transformation of the world economy and of our changing place in it. The next decade will present a tougher, more competitive international trading environment in which the content and pattern of Canadian production and trade, which fuelled past growth, will be difficult to sustain. With the declining relative importance of primary resources in international trade, it will be necessary to bolster the export of competitive manufactured items, an area in which past trends have shown shrinking rather than growing Canadian advantage. Our prospects are uncertain and will depend on many factors, including our capacity to take advantage of new technologies, to enhance the competitiveness of Canadian business and industry, and to improve and strengthen marketing efforts in key sectors and countries to gain access to new markets.

Within the framework of what has often been called the North-South Dialogue, Canada has played an active role in attempting to bridge the gap between the industrialized and developing countries. As an example, in 1976 Canada led efforts in the Conference on International Economic Cooperation (CIEC) to promote this dialogue and more specifically to discuss reforms of international economic and monetary institutions. Following this Conference, Canada and other donors agreed to convert all of its loans to the least developed countries to outright grants. In addition, Canada played a major role at the United Nations Conference on least developed countries in September of 1981 where the decision was made to implement a new special programme of action for least developed countries and to reach .15 per cent of the Gross National Product (GNP) in assistance to these countries. The role that Canada played at the Cancun meeting, co-chairing the Conference, as well as on the follow-up of this meeting in terms of pressing the international community to launch Global Negotiations on a new international order has been well recognized. Although these global negotiations have not taken place, Canada has maintained its position of taking any opportunity to improve the North-South Dialogue through various international conferences as one of the means to resolve some of the very serious difficulties facing developing countries.

The North-South umbrella covers a broad range of issues - including international trade, transfer of technology, commodities, investment flows and money and finance. Development assistance, which is the focus of this paper, is thus one, if nonetheless very important, aspect of our economic relationships with the developing world.



## RECENT TRENDS

The underlying theme of this document is the view that the efforts at development which Canada and other donors support through their Official Development Assistance (ODA) programmes are achieving good results. Current preoccupations and reports of crises and even of impending disaster should not obscure the very real and significant progress which has been made over time. That this progress has been less rapid than hoped for, or more unevenly distributed than desired, does not diminish the magnitude of the achievement. In economic terms, for example, the overall growth rates of less-developed countries (LDCs) since the 1960s, although starting admittedly from a low base, have outstripped the performance of the industrialized countries. The share of developing countries in international trade has increased significantly and their growth in manufactured exports has been greater than that of the industrial countries.

It is, however, in the human sphere that both the distance covered and the remaining gap can best be seen. In low-income developing countries, life expectancy increased from 41 to 57 years over the period 1950-1979. Over the same period child mortality fell from 28 to 12 per 1,000 (for Canada it is about one per thousand) and literacy increased from 20 to more than 50 per cent of the population. In terms of food production, the Green Revolution, for all its subsidiary difficulties, has significantly increased the food production capacities of many developing countries.

In recent years, however, the second "oil shock", together with high interest rates and the international recession, have had a particularly severe impact on the developing countries. Following the oil price increases of 1979-80 the current account deficit of the non-oil LDCs increased substantially, rising from U.S. \$41 billion in 1978 (16 per cent of the group's total exports of goods and services) to a peak of \$108 billion in 1981 (23 per cent of exports). The major component of this increase (about 35 per cent) was due to the rising cost of servicing their external debt, followed by the impact of their deteriorating oil balance (27 per cent). An important underlying factor was also the excessively stimulative economic policies often followed by many non-oil LDCs, which made them extremely vulnerable to adverse external developments.

Between 1980 and 1982, falling export income and rising debt service have together had a negative impact of about \$70 billion on the balance of payments of the developing countries. The total medium- and long-term debt of the developing countries stands at \$530 billion, and \$350 billion of it is from private sources. Statistics on short-term debt are not reliable, but short-term debt probably brings the total debt of the developing countries to some \$700 billion. About half the increase in Third World debt-service payments since 1980 has been due to higher interest rates. A one-point increase in interest rates costs Mexico, Brazil, and Argentina \$1.2 billion a year. The burden of high interest rates has been especially onerous for the middle-income developing countries. They have depended more on commercial borrowing, much of which has been at variable interest rates. While debt obligations increased, the export sales of the developing countries were virtually stagnant in 1982. The terms of trade, and export prices, have deteriorated for most developing countries, making the real burden of their debt even greater.

While from the perspective of the international financial system, the current potential flashpoints are a relatively few over-extended middle-income countries, it is the low-income and least-developed countries that have had their development prospects most severely affected by the downturn in the world economy. The longer term trade patterns have also signalled difficulty for the developing countries. Over the period 1950-1979, the developing country share of world exports declined from 36 to 30 per cent of the total. Since 1973 alone, the deficit of LDC trade in manufactures with countries has more than tripled from \$43.7 billion to \$132 billion in 1979. The flow of development assistance, which could help to countervail these negative trends, had grown steadily over the last two decades until 1981, when it declined.

The crisis in the international economy has certainly spilled into the field of multilateral cooperation. Historically, Canada has been an active proponent of a network of strong multilateral institutions because they provide a wide range of services to governments that are critical to the maintenance of international systems of finance, commerce, development, peace and security. The multilateral organizations supported through our ODA programme - the International Financial Institutions (IFIs), UN, Commonwealth and Francophonie institutions - undertake very large programmes which individual donors might not risk, provide vast pools of development capital and corresponding private sector opportunities, and allow Canada to have a development presence in countries of interest to Canada where it is not possible to mount extensive bilateral programmes.

The system of multilateral economic and development institutions is, however, going through a period of considerable stress for a combination of reasons - including the ideological positions of some donor governments, increased emphasis on bilateralism in the light of recession, and questions about the efficiency and effectiveness of at least some of the institutions.

Replenishments of the IFIs are on the whole stagnant in nominal terms, implying significant reductions in real terms, especially for the concessional facilities, such as the International Development Association (IDA), most needed by the poorest countries.

Slower growth in overall ODA and reductions in the portions allocated to multilateral organizations by donors are also calling into question the viability of the grant-funded technical cooperation agencies such as the United Nations Development Programme (UNDP). In these institutions, some of the distressing tendencies of recent years are abating, notably the erosion of the central funding role of the UNDP and the pressure in the UN to create many new special funds to deal with every problem. However, there is an urgent need to sustain the viability of these institutions by halting the erosion of their financial bases, while at the same time continuing to monitor their effectiveness in relation to other institutions and to the principle of central funding in the UN system which Canada has broadly supported.

An important attraction of the multilateral institutions and of the IFIs in particular has been that they are intended to be apolitical and to base their allocation decisions on the economic and technical merits of projects. Suggestions have been made recently, however, that Canada oppose certain projects because of the human rights or other policies of the borrowing governments. Historically, Canada has resisted the introduction of political criteria in these decisions because a non-political approach is critical for the credibility of the institutions. The application of conflicting political criteria by member Governments could, moreover, paralyze the effective functioning of these institutions.



## OFFICIAL DEVELOPMENT ASSISTANCE: OBJECTIVES

The 1980s are tough times for virtually all countries. It is not difficult to set out the long list of problems that currently make up the political agenda of the industrialized world. On the other hand, the traditional maladies of underdevelopment and absolute poverty have now been further aggravated by the global economic malaise that has dominated the past few years. There are indeed powerful economic forces operating in our world, and these forces are very costly to the Third World. To offset them, at least to some degree, there is the countervailing flow of official development assistance, but this flow has been increasingly sluggish of late.

There are several broad motives which have supported Canada's basic commitment to international development. These motives are humanitarian, political, and economic.

When hard times come, it is the poor who suffer first and most, and that is truest of all on the global scale, among the people of the Third World, who have no safety net of social programmes. The global figures are striking enough: more than 700 million people are living in conditions of absolute poverty; more than 450 million of them are seriously undernourished; and each year, some 15 million children die for want of care. Other statistics also give some indications of the problem: three-quarters of the world's people have only 30 per cent of its food grains, consume only 15 per cent of world energy, benefit from only 5 or 6 per cent of the world's health care or science and technology expenditures. Translated into human terms, these figures become a vast chronicle of individual tragedies, of personal deprivation to levels unknown in the wealthier countries. Most Canadians are sensitive to this, and share the conviction that we, as a nation, must do what we can to help the innocent victims of world poverty and underdevelopment.

Humanitarian concerns are the traditional basis of public support for the Canadian ODA programme. In one recent survey, for example, 49 per cent of those polled indicated humanitarian reasons as the central basis for giving assistance. Closely related to humanitarian motives for assistance is the promotion of social justice. Canadian concerns with social justice and the amelioration of the living and working conditions of the poor in developing countries are particularly germane at the present time as developing countries hard hit by the world recession have faced tremendous difficulties in preventing the loss of hard-won gains in the areas of nutrition, health, education and employment.

In political terms, Canada believes it is important to support efforts that will increase stability and improve the chances for peace in our world. We do this bilaterally through direct government-to-government programmes of assistance, as well as through our support for multilateral activities - our contributions, for example, to the work of the various institutions in the United Nations and the Commonwealth and Francophone associations, and to the international financial institutions.

In recent years there has been increased recognition that peace and stability in the world as a whole rests in considerable measure on peace and stability in developing countries. Adequate rates of economic growth and a suitable distribution of the fruits of economic progress, both of which are measurably affected by the level and quality of assistance, play major roles in securing stable conditions in developing countries.

In economic terms, Canada believes in promoting and expanding world trade, and in supporting the efforts of developing countries to achieve self-sustaining growth. As events in the past few years have shown all too clearly, we live in an increasingly interdependent world. As one of the world's important trading economies, with exports accounting for about 30 per cent of our Gross National Product, Canada has a crucial stake in the development of stable international economic arrangements. The economic interests of all countries require developing and expanding economies in the world. Efforts to promote self-sustaining growth in the developing countries will pay dividends in terms of the creation of markets for Canadian raw materials and manufactured goods, as well as the creation of additional sources of supply for tropical products and other goods not produced in Canada.

The global recession underscored rather than undermined the humanitarian, economic and political motivations which have shaped Canada's approach to development assistance. It has also become clear that rather than being peripheral to our interests, the degree of stability and economic activity in the Third World has a great bearing on our own prosperity and that of our partners in the industrialized world. For Canada, these trends highlight the need for policies and programmes which foster the conditions of a stable and viable world order.

## PRESENT POLICY FRAMEWORK

The policy framework underlying the ODA programme stems from Parliamentary and Government decisions of recent years, some of which are very specific targets while others are more general guidelines. Some of the main features of current policy can be summarized as follows:

- a) With respect to the overall level of the ODA programme, Canada has undertaken to reach .5 per cent of GNP by 1985/86 and .7 per cent by the end of the decade.
- b) A volume sub-target is Canada's commitment to provide .15 per cent of GNP as assistance to the Least Developed Countries (LLDCs); the target date has not been specified.
- c) Also with respect to volume, Canada has undertaken to provide \$106 million in development assistance to Central America over the period 1982-1987 and to double flows to the Commonwealth Caribbean to \$270 million over the same period.
- d) The following guidelines pertain to the relative shares of ODA:
  - to increase the share of funding for Special Programmes to respond to the initiatives of the private institutional, non-governmental organizations and cooperative sectors;
  - to increase funding for programmes which involve the commercial sector in international development;
  - to plan for contributions to the International Financial Institutions (IFIs) at the level of 18-20 per cent of ODA;
  - to increase funding levels for Petro-Canada International Assistance Corporation to 4 per cent of ODA;
  - to continue to give particular attention to the growing world food crisis, through existing programmes and the new International Centre for Ocean Development; and
  - to allocate 2 per cent of ODA for international humanitarian assistance.
- e) For planning purposes, the Bilateral programme shares should be 42 per cent for Asia, 20-21 per cent each for Anglophone Africa and Francophone Africa, and 16 per cent for the Americas.
- f) In terms of the recipients of Canadian bilateral assistance, 80 per cent of assistance is to be provided to low-income countries (defined as having a per capita income less than U.S. \$625 in 1978) and 20 per cent to middle-income countries.



- g) The performance of a government in observing human rights will be considered in determining the nature of Canadian assistance.
- h) In designing the ODA programme, Canadian commercial interests should be taken into account.
- i) Sectoral emphasis is to be given to agriculture and food, energy, and human resource development.
- j) At least 80 per cent of Bilateral assistance (exclusive of transportation costs) should be tied to the procurement of Canadian goods and services having at least two-thirds Canadian content.
- k) Within the food assistance allocation, specific targets approved by the Government are the provision of at least 600,000 metric tonnes of cereal assistance in accordance with Canada's commitment under the Food Aid Convention, and increasing the non-cereal portion of the food basket to 25 per cent of the total.

# PROGRAMME ALLOCATIONS <sup>1</sup>

The Official Development Assistance Programme has several components.

CIDA is responsible for the following:

- Bilateral Programmes
- Multilateral Programmes for International Financial Institutions (IFIs), except for the World Bank Group
- Multilateral Technical Cooperation Programme
- Food Assistance
- Special Programmes

Support for the World Bank group is provided through the Department of Finance. There are as well the programmes of the International Development Research Centre (IDRC) and of Petro-Canada International Assistance Corporation (PCIAC).

The allocation of ODA among programme components for 1983/84 is set out in the following table:

<u>ODA Programme Allocations 1983/84</u>			
		<u>1983/84</u> Million	<u>%</u>
I	<u>Programme Component</u>		
	Bilateral Programmes	\$ 662.9	36.6
	Special Programmes	150.9	8.3
	Food Assistance	325.6	18.0
	Multilateral IFI Programme	349.1	19.3
	Multilateral Technical Cooperation Programme	109.8	6.0
	Intern. Humanitarian Assistance	36.2	2.0
	Scholarships	4.1	0.2
	Administration	21.0	1.2
II	<u>IDRC</u>		
	a) Regular Programme	62.4	3.4
	b) Cooperative Programme	5.0	0.3
III	<u>PCIAC</u>	55.0	3.0
IV	<u>Policy Reserve</u>	30.0	1.7
V	TOTAL	\$1,812.0	100.0

<sup>1</sup> For detailed explanations for each programme, refer to Part III - ODA programmes.

The resources ultimately allocated to Special Programmes will in fact be greater than the shares indicated because, as a result of the effectiveness of these channels in a number of sectors, an increasing number of Bilateral projects are being implemented through them.

## ODA AND THE DOMESTIC ECONOMY

Although conceived and supported essentially for its responsiveness to the economic and social justice objectives of Canadians, the ODA programme has brought substantial returns to Canada, both nationally and regionally. A large share of ODA funds are spent in Canada for foods, industrial goods and services. In addition these, in turn, have helped to open up new markets for Canadian business and industry abroad. It has brought thousands of Third World trainees to Canada and sent thousands of Canadian advisers to developing countries - contacts which, because of their familiarity with Canadian goods and services, will produce new business for Canadian exporters. In more general terms, Canada's assistance to Third World countries is helping them to develop their economies and thus to take a more active and productive role in international trade which is of vital importance to Canada. And finally, the programme is contributing to international economic and political stability which is of fundamental concern to the industrialized countries, including Canada.

While data are not available which would allow an accurate quantitative assessment of the number of jobs maintained or created through the ODA programme, some qualitative assessments of the employment impact of the various components of the assistance programme are possible.

The Bilateral Programme makes up about 36 per cent of Canadian ODA. About 70 to 75 per cent of the Bilateral Programme is spent on goods and services purchased in Canada, with the remainder to cover transportation and local costs in recipient countries. Purchases in Canada for the Bilateral programme take several forms and have a significant impact on employment. These purchases include capital goods (including, in particular, transportation equipment, power generation and transmission equipment, materials for farming, mining, water supply and irrigation systems, and construction materials); commodities (including aluminum, copper, asbestos, other minerals and fertilizers); professional services (some 1,800 professional service contracts involving over 3,000 person-years of employment) and advisors involved in implementing projects in developing countries (about 750 at present). The following is a list of expenditures, totalling \$477 million in 1981-82:

- capital goods and equipment - \$183 million
- consultancy and engineering services and surveys - \$133 million
- lines of credit for commodities and capital equipment - \$122 million
- technical assistance - \$38 million.

Expenditures for the Bilateral programme were over \$500 million in 1982/83.

In addition, CIDA employs the services of a large and varied number of firms and institutions as executing agents for Bilateral projects. At present, there are roughly 900 Bilateral projects, with a total value of \$4.7 billion in terms of CIDA financing over the years. Detailed statistics are not



available as to the impact on direct employment in Canada, but the above figures indicate the level of activity involved. Apart from the direct employment impact of the Bilateral programme, indirect employment is generated through further orders which frequently follow the ODA-generated initial procurement.

CIDA is also working increasingly with the Export Development Corporation in the parallel financing of projects which meet the criteria of both agencies. This has the effect of "stretching" the aid dollars and of enhancing the attractiveness of Canadian exports by lowering the cost of financing, which is often the deciding factor in developing country procurement decisions. Such co-financing activities with EDC have involved 12 projects since 1978 (total value of \$687.1 million and CIDA participation of \$178.7 million) and there are 19 further projects in the pipeline (\$2.2 billion).

Parallel financing activities are not limited to the EDC. With Arab/OPEC institutions, CIDA contributions of \$905 million are helping to support 35 projects with a total value of more than \$7 billion. Relationships with these institutions are actively cultivated and provide the opportunity for Canadian procurement from Arab as well as Canadian contributions to these projects. For example, the Kuwait Fund has allocated \$16.6 million for the purchase of Canadian locomotives for a railway project in Zimbabwe in which Canada is participating as well, and Canadian suppliers are well placed to win contracts financed by the Saudi Fund for the supply of \$64 million in goods and services for the Maduru Oya Project in Sri Lanka.

Food assistance is the second largest Canadian programme of direct assistance (\$325.6 million for 1983/84). Between 80 and 85 per cent of the food assistance budget is spent on Canadian procurement, with the remainder covering transportation costs and cash contributions to the World Food Programme. Major commodities provided include wheat, flour, corn, vegetable oils, fish products and skim milk powder. The following list shows the commodity purchases totalling \$250 million under the Food Programme in 1982/83.

(\$ million)

Wheat	157.4
Flour	37.2
Vegetable Oil	24.1
Pulses	3.8
Milk Powder	16.7
Fish	9.6
Other	1.3

It is estimated that CIDA purchases of \$178 million of food products in 1981/82 generated about 6,000 person-years of employment.

Contributions to the International Financial Institutions (IFIs - about \$350 million or 19 per cent of ODA in 1983/84), and other multilateral activities

(including funds channelled through United Nations institutions and Commonwealth and Francophone agencies, which will receive about \$109.8 million or 6 per cent of ODA in 1983/84) also generate significant amounts of Canadian employment and other benefits. For the IFIs, about two-thirds of our encashed contributions to date have returned to Canada in the form of service contracts or equipment purchases. Our market share in the IFIs has grown to about 2 per cent, which translates into an increase in procurement from U.S. \$23.4 million in 1973 to U.S. \$105.8 in 1981. This is roughly in line with Canada's 2.2 per cent share of developed country exports to developing countries globally. However, the return is still low compared to most of our industrialized trading partners, and the scope for improvement is considerable. Canadian firms submit tenders on very few calls, but the success rate in the World Bank group, for example, exceeds 40 per cent. Given the multiplier effect of the hard windows of the IFIs, an enhanced marketing effort by the Canadian private sector to take advantage of this largest source of procurement activity in the world, now about \$20 billion a year, should lead to returns well above our encashed contributions. It should also be noted that CIDA often works in parallel with the UN multilateral agencies and the multilateral development banks. Cooperation with the multilateral agencies enables CIDA to become involved in a wider range of development activities and projects in sectors and areas where it may be difficult to proceed alone, and exposes Canadian firms and expertise to international attention.

CIDA supports the activities of Canadian institutions, non-governmental organizations and professional associations in their international development activities. The budget for 1983/84 for these programmes is \$133 million, or 7.3 per cent of ODA. The support provided for the initiatives of Canadian NGOs and institutions also involves a multiplier effect because they are based on the principle of matching contributions from private sources. For example, CIDA contributed over \$90 million in 1982/83 to over 390 Canadian NGOs and institutions such as universities and trade unions for more than 3,000 projects, and it is estimated that half of this support remains in Canada. The NGOs themselves raised more than \$150 million from private sources.

The Industrial Cooperation Programme is designed to support the initiatives of the Canadian commercial private sector. The budget for 1983/84 is \$23 million. CIDA's support for these initiatives has some impact on direct employment, but probably a more important impact on indirect employment. In 1982/83, CIDA provided some \$20 million to more than 275 Canadian firms for feasibility and project preparation studies and technology development and transfer. The aim of this important and expanding programme is to link Canadian firms in mutually beneficial arrangements with counterpart firms in developing countries and it shows particular promise in the countries of the Pacific Rim and Latin America. Showing particular potential is the Canadian Project Preparation Facility, under which the \$2.2 million provided to firms by CIDA has led to \$34.2 million in follow-up contracts to date.

The activities of the International Development Research Centre also affect direct employment in Canada. Its budget is \$67.4 million in 1983/84, or 3.7 per cent of ODA. It employs 320 Canadians in Canada and 15 Canadians overseas.

CIDA financed the training in Canadian universities and institutions of 754 students from developing countries in 1981/82 and approximately 840 in 1982/83. It is estimated that between 12,000 and 15,000 students from Third World countries have studied in Canada under CIDA sponsorship since 1950.

Finally, the activities of the Petro-Canada International Assistance Corporation affect direct employment in Canada as a large proportion of the Corporation's budget is directed to the provision of Canadian goods and services. Its budget is \$55 million in 1983/84, or 3 per cent of ODA. It will help to make Canadian expertise in the hydrocarbon sector more widely known in the Third World and is expected to lead progressively to commercial spin-offs from its energy assistance. This will help to employ Canadian firms in the oilfield supply and services sector during the current cyclical downturn of the economy, thus providing a direct benefit, particularly to Western Canada.



## PROGRAMME EFFECTIVENESS AND POLICY DIALOGUE

Canada and donors generally are facing increased pressure from their publics to demonstrate the positive impact of their assistance efforts on developing countries. Very much at the forefront in international fora for development assistance discussions, the question of how to assess the effectiveness of development assistance is under examination in the Development Assistance Committee (DAC) of the OECD, and in the Joint World Bank / International Monetary Fund (IBRD/IMF) Task Force on Concessional Flows, but it is made difficult by the fact that ODA is only a very small portion of overall national investment, let alone national product. A host of other variables come into play in shaping the development performance of developing countries.

It has become evident, however, that the domestic economic policy environment in some developing countries is not conducive to success or to the effective use of ODA. This is the central theme of the World Bank's report on development in Sub-Saharan Africa, although the point applies in other regions as well. The costly irrigation scheme not having its desired effect on output because of disincentives included in agricultural pricing policies is a classic and recurring example of the phenomenon.

The concepts of "policy dialogue" between donors and recipients and of "conditionality" have emerged from the recognition of the linkages between programme effectiveness and the domestic policy setting. The former refers to a process in which donors and recipients seek to define the development policies most likely to bring success, while "conditionality" goes a step further by making the provision of assistance conditional on the adoption of certain policies. For Canada, the questions which obviously arise are how the ODA programme should react to inappropriate policies in recipient countries and the extent to which economic performance conditions should be imposed for the continued provision of ODA.

Judgements on the performance and policies of ODA recipients have long been implicit in the Canadian ODA programmes, partly at the level of eligibility itself, but more commonly at the levels of programme design and project content. For example, highly liquid and unstructured transfers would not normally be provided to countries whose macro-economic management is thought to be weak. Reduced allocations and efforts to bypass official channels in some programmes reflect negative assessments of important parts of their economic policies, while in others, Canada has adopted a highly conditional approach to the provision of further assistance.

The World Bank and IMF, because of their leverage, play the leading role in the development of macro-economic conditionality, while bilateral donors have tended to focus on performance conditions for specific projects. Within the Canadian programme, the linkage of macro-economic conditions to the provision of ODA must be approached with extreme political sensitivity and a realistic appreciation of the overall role of Canadian ODA in each individual case. Policies with which we disagree do not necessarily simply reflect



"wrongheadedness"; they often display astute judgement on where support (or threats) for the ruling group resides - hence large military spending, or food policies which subsidize vocal urban consumers. The approach to conditionality, therefore, needs to be sensitive to the broader political context.

More importantly, in practical terms, the relatively small role of Canadian ODA in the total investment programmes of developing countries limits Canada's independent leverage in "policy reform" - social or economic. In this context, the Canadian role in policy dialogue can be most effective in coordination with other donors where total ODA is indeed a significant factor in the resources available for development in low-income countries. Canada's generally positive image on North-South issues, and its credibility with both the more radical donors and the more conservative donors, allows for an influence on these issues that goes beyond the relative volume of our contribution, provided that the levels themselves remain significant. In order more actively to take into account recipient policy environments in setting programme allocations and content, measures have been taken, within CIDA, to strengthen country-specific analytical capabilities and, internationally, Canada is supporting the enhancement of coordinating mechanisms amongst donors to improve the prospects of useful policy exchanges with recipients.

## LIQUIDITY AND DEBT

The current world economic environment is characterized by what are generally recognized to be the most serious economic difficulties experienced since the 1930s. Both developed and developing countries are in this situation. However, the developing countries appear to be by far the more affected. At the end of 1982, the total outstanding debt of developing countries was estimated to be \$700 billion.

The emergence of debt problems is concentrated on two very different kinds of developing countries: (i) a small number of poorer commodity-dependent countries with mainly official debt (Official Development Assistance and officially guaranteed export credits) and amounts which are minor in world terms; and ii) a few advanced developing countries which have massively increased their borrowing from commercial sources at high floating interest rates and now suffer from depressed export markets. The latter include Brazil, Mexico, Argentina and South Korea in which there is an extreme concentration of private bank exposure. These four alone account for more than half of the total outstanding loans of private banks to non-OPEC developing countries, for some 85 per cent of the net floating-interest debt, and almost all of total net private bank "exposure" (excluding guaranteed export credits) to non-OPEC developing countries.

The London Bankers Club is the international forum in which commercial debts are rescheduled and the Paris Creditors Club deals with the multilateral rescheduling of official debts. The latter forum is the one in which CIDA participates.

In the CIDA context, the programmes which are developed are primarily of a grant nature. Of approximately 900 bilateral projects, about 350 are designated loans and, of these loans, 75 per cent are under 0-10-50 terms, or 0 per cent interest, 10 years' grace, and 50 years' repayment period. (15 per cent are 3-7-30). In December of 1977, Canada wrote off, or converted to grants, all existing loans to the least developed countries. This amounted to \$311 million. Since then, all LLDC programmes have been carried out strictly on a grant basis. Although there is no specific CIDA policy respecting grant/loan proportions for low-income countries and middle-income countries, loans are reserved primarily for commercial projects which are revenue bearing and are extended particularly to middle-income countries.

Notwithstanding the above, and given the current world economic environment, there are currently 20 countries which are in arrears on loan repayments to CIDA. The total arrears to date amount to \$9.25 million, which represents approximately 34 per cent of all repayments due in 83/84. The arrears vary in magnitude from \$30,000 to \$2.1 million, with an almost even split in numbers of African, Latin American and Caribbean countries. As a corollary to the above and as a direct result of severe economic difficulties, a growing number of developing countries are applying to the Paris Club for the multilateral rescheduling of their official debt. By the end of 1984

(calendar year), it is anticipated that 25 per cent of all CIDA countries will have rescheduled their official debt. The amounts involved are generally small, averaging \$200,000 per country per rescheduling (the total in 1983 was \$1.4 million and in 1984 is estimated to be \$3.2 million).

Bilateral assistance in CIDA programming is designed to take into account the economic situations of countries and also their debt burden. In some instances, where balance-of-payments type of assistance is found to be appropriate, the programmes are designed in such a manner as to facilitate the provision of commodities and/or food products which are particularly required, through lines of credit (LOC) or food assistance. In emergency situations, Canada has developed an Emergency Balance of Payments facility, financed through ODA and similar to other commodity/food LOCs, but quicker disbursing.

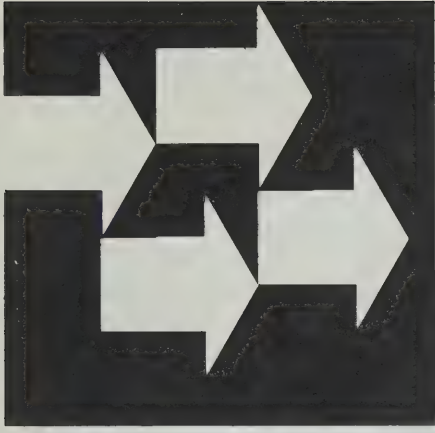
While the international liquidity crisis is indeed seriously affecting developing countries (both those who have acquired significant debt and those that remain too poor to obtain credit), the "debt" problems, particularly of low-income countries (to which CIDA provides approximately 80 per cent of its aid) usually reflect underlying development problems and/or depressed commodity prices. It is these aspects with which CIDA is primarily concerned, designing bilateral programmes in such a fashion as to deal with these issues, but in such a manner so as not to exacerbate the delicate external financing situation which often exists.

ODA/GNP RATIOS FOR OECD DONORS

Countries	1982	1981	1980	1979	1978
Listed According to ODA Volume in 1982	ODA/GNP Ratio Rank	ODA/GNP Ratio Rank	ODA/GNP Ratio Rank	ODA/GNP Ratio Rank	ODA/GNP Ratio Rank
United States	0.27 15	0.20 16	0.27 13	0.20 15	0.27 13
Germany	0.48 9	0.47 8	0.43 8	0.44 10	0.38 10
Japan	0.29 13	0.28 13-14	0.32 11-12	0.26 12	0.23 14
United Kingdom	0.37 11	0.44 9	0.34 10	0.52 7-8	0.48 9
France (incl. DOM/TOM*)	0.75 5	0.73 4-5	0.6 5	0.59 5	0.57 5
France (excl. DOM/TOM*)	(0.49) (10)	(0.45) (9)	(0.38)(10)	(0.35)(11)	(0.35) (11)
Netherlands	1.08 1	1.08 1	0.99 1	0.93 2-3	0.82 3
Canada	0.42 10	0.43 10	0.42 9	0.46 9	0.52 8
Sweden	1.02 2	0.83 2	0.76 3	0.94 1	0.90 1-2
Australia	0.57 7	0.41 11	0.48 7	0.52 7-8	0.54 7
Italy	0.24 17	0.19 17	0.17 17	0.08 17	0.07 17
Norway	0.99 3	0.82 3	0.82 2	0.93 2-3	0.90 1-2
Belgium	0.60 6	0.59 6	0.49 6	0.56 6	0.55 6
Denmark	0.77 4	0.73 4-5	0.72 4	0.75 4	0.75 4
Austria	0.53 8	0.48 7	0.22 15-16	0.19 16	0.29 12
Switzerland	0.25 16	0.24 15	0.24 14	0.21 13-14	0.20 15
Finland	0.30 12	0.28 13-14	0.22 15-16	0.21 13-14	0.17 16
New Zealand	0.28 14	0.29 12	0.32 11-12	0.30 11	0.34 11

\* Overseas possessions





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## DEVELOPMENT ISSUES

### PROGRAMME SHARES

How can the Canadian Government best distribute ODA through the various channels available? It is a complex issue which takes into consideration such factors as the developmental needs of Third World countries, the effectiveness of a variety of instruments to deliver ODA, international political interests and commitments, sectoral requirements in developing countries as well as Canadian supply capabilities, and the interests and involvement of a wide cross-section of Canadian society. Each channel has advantages which must be weighed in arriving at a share distribution that is best for the overall programme.

Bilateral or country-to-country assistance allows Canada to match developing country needs with Canadian capabilities; it strengthens links and relationships between governments; and it enables Canada to pursue national interests which are commercial and political, as well as international and developmental. In the past, bilateral programmes were more concentrated than is the case today on large projects designed to build up infrastructure, to give developing countries the building blocks necessary for economic growth. While CIDA continues to support large-scale projects, it has been giving increasing priority to small-scale projects geared to reaching the rural poor. In keeping with the priority on human resources development, the training of local counterparts is a standard feature of most bilateral projects.

Multilateral channels offer other possibilities for Canada, including the ability to maintain links with countries where Canada has no development assistance programme. Multilateral institutions undertake projects which are often beyond the delivery capacity of a single donor; and because they are immune to commercial and political self-interest, they carry weight and influence to assist developing countries to make certain economic adjustments which are difficult domestically but necessary for economic and social progress. International agencies offer a forum for an exchange of views, the discussion of problems and the pursuit of foreign policy objectives in an internationally acceptable way. Multilateral channels include the international financial institutions (regional development banks), the multilateral technical cooperation programmes, the food assistance programmes, and the multilateral humanitarian assistance programme.

Through the Special Programmes Branch, CIDA can support the international development efforts of Canadian individuals, organizations, cooperatives, community groups, universities, institutions and business. It is the most direct way that Canadians can reach people in developing countries and, because of its flexibility, one of the most effective. CIDA is increasing the number of bilateral projects which involve the active participation of non-governmental organizations and institutions. The Institutional Cooperation, Non-Governmental Organization (NGO), and International NGO

programmes support projects initiated by Canadians in the non-profit private sector. The Industrial Cooperation programme provides funds to encourage Canadian business to build links with the private sector in developing countries. Management for Change provides access to Canadian expertise for key decision-makers from developing countries. The Voluntary Agricultural Development Assistance (VADA) programme encourages the provinces and the NGOs to initiate agricultural projects in developing countries.

Canada's Food Assistance Programme is committed to provide at least 600,000 tonnes of cereal food assistance under the terms of the Food Aid Convention (FAC), to provide a significant amount of food commodities other than cereals, and to supply food on an emergency basis. The programme introduces an element of flexibility in development efforts because it can provide balance of payments support as well as counterpart funds. It is also a mechanism to encourage the implementation of appropriate agricultural policies and, through Food-for-Work programmes, supports the creation of infrastructure as well.

The International Development Research Centre initiates, encourages, supports and conducts research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of the Third World. It helps developing regions to build up their research capabilities and the institutions required to solve their problems.

Petro-Canada International Assistance Corporation assists developing countries to reduce or eliminate their dependence on imported oil by using Canadian technology and expertise where possible for hydrocarbon exploration and related activities.

ODA Programme Shares for 1983/84

		<u>1983/84</u> million	<u>%</u>
I	<u>Programme Component</u>		
	Bilateral Programmes	\$ 662.9	36.6
	Special Programmes	150.9	8.3
	Food Assistance	325.6	18.0
	Multilateral IFI Programme	349.1	19.3
	Multilateral Technical Cooperation Programme	109.8	6.0
	Humanitarian Assistance	36.2	2.0
	Scholarships	4.1	0.2
	Administration	21.0	1.2
II	<u>IDRC</u>		
	a) Regular Programme	62.4	3.4
	b) Cooperative Programme	5.0	0.3
III	<u>PCIAC</u>	55.0	3.0
IV	<u>Policy Reserve</u>	30.0	1.7
V	TOTAL	\$1,812.0	100.0



## SECTORAL PRIORITIES

### Agriculture

In most countries of the Third World, the population is largely rural, and subsistence farming is still often the main occupation. According to UNICEF, about a billion people live in absolute poverty, the bulk of them in rural areas, unable to obtain the basic necessities of life. At least 400 million persons are thought to be chronically malnourished.

While most LDCs generally now acknowledge agriculture as the cornerstone of economic growth and social stability, fewer countries have found it possible to dedicate the requisite resources as a proportion of their national budgets. Canada has sought to encourage LDCs to give higher priority to their own agricultural development.

Since the so-called Green Revolution, agricultural performance has varied greatly between countries and between regions. Over the past decade cereal yields per hectare have grown by 24.9 per cent in Asia, 23 per cent in Latin America and 7 per cent in Africa. Food production has increased 3.4 per cent annually in Latin America, 3.3 per cent in the Far East, but only 1.9 per cent in Africa. In per capita terms, food production fell by 0.9 per cent in Africa over the decade. Today, as a result, daily per capita calorie supply averages just 94 per cent of minimal human requirements for all of Africa.

The constraints which farmers face in the developing countries are evident at all phases of the food chain, from basic research and extension work to the quality of seed and other inputs to the availability of fertilizer, irrigation, storage and preservation, transport, credit and marketing facilities, and to appropriate policies providing adequate incentives to production. Canada, through its multilateral, bilateral and special programmes, is providing assistance in each of these areas. CIDA contributes to multilateral organizations such as the Consultative Group on International Agricultural Research, whose 13 associated research centres are developing high-yield crop varieties and appropriate farming methods. Canadian expertise in dryland agriculture benefits farmers directly through projects in India, Tanzania, Pakistan, Zambia, Sudan and Peru. CIDA-supported farming cooperatives in Bangladesh and India are helping small farmers to gain independence from money-lenders. The internationally-acclaimed programme of the International Development Research Centre seeks to adapt state-of-the-art agriculture research to the realities of the developing country environment.

### Food Assistance

Projections by the Food and Agriculture Organization (FAO) and other bodies foresee a doubling or tripling of the requirements for food assistance over the next decade if even the nutritional status quo is to be maintained. Food assistance will be essential for some time to come, particularly in Africa.

As with all forms of development assistance, the goal is to eliminate the need for food assistance in the long term.

Canada has undertaken to provide a minimum of 600,000 tonnes of cereals annually under the International Food Aid Convention, and to increase the non-cereal portion of the food assistance basket to 25 per cent of the total. This assistance is provided bilaterally, in country-to-country programmes, multilaterally, through institutions such as the World Food Programme, and through non-governmental organizations (NGOs).

The principal commodities provided by Canada are wheat, flour, vegetable oils, pulses, milk powder and fish. In 1983-84, Canada's food assistance was valued at about \$325 million, or about 18 per cent of our ODA. Food assistance is the second largest component of direct assistance. Between 80 and 85 per cent of the food assistance budget is spent on Canadian procurement, with the remainder covering transportation costs and cash contributions to the World Food Programme. These purchases bring significant benefits to the Canadian agricultural, fishing and dairy industries in every region of the country.

Canadian food assistance is intended to improve the developmental and nutritional status of developing countries by:

- increasing the quantities of food available in food deficit countries;
- accelerating the pace of development by freeing foreign exchange and generating domestic resources for investment;
- providing supplementary food to nutritionally vulnerable groups;
- offering basic subsistence during emergency relief and rehabilitation situations.

Food assistance is being undertaken for both its humanitarian and development impact and it serves a variety of purposes. For example, feeding programmes provide additional food to nutritionally vulnerable groups, particularly mothers and small children. Food-for-work projects offer employment to poor labourers and contribute to a country's capital stocks by supporting the construction of roads, embankments, irrigation canals, and other rural infrastructure. Very often, food assistance provides balance of payments support to countries which cannot afford to import the food they need without undermining their long-term development efforts. When, by prior agreement, this food assistance is sold, it generates resources which are needed to invest in agricultural development projects, to fund incentive schemes to local farmers, to assist governments with the costs which are often associated with policy reforms needed for long-term solutions to their food problems, and to fund other development activities. Finally, food assistance shipments may be used to supplement national cereal stocks which are needed to offer some degree of food security in the face of sudden crop failures

(resulting from floods, drought, insect infestations) and to moderate the sharp price increases which accompany such shortages.

### Energy

While the upheaval in the world's oil markets in the 1970s sent shock waves around the globe, there was a very particular effect in the Third World. With few financial reserves to fall back on, developing countries borrowed to maintain consumption, to finance their investment in development, and to pay for oil imports. The crunch has not been eased by recent reductions in oil prices, for the '82-'83 recession has meant that the market prices of Third World exports have fallen. Tanzania, for example, uses 60 per cent of its export earnings to pay for oil. In Nepal, oil imports consume 50 per cent of export receipts and threaten to consume all of export earnings by 1984/85.

The steep rise in oil prices has, in many countries, forced a desperate search for alternative sources of fuel which has brought repercussions of its own. Africa is now more conscious of the long-standing problem of a scarcity of wood for fuel. More than 80 per cent of Africans depend on wood for cooking, and the resource is rapidly running out. The search for fuelwood is leading to increased erosion, and arable land is turning into deserts, with devastating results on agriculture --this on a continent which has a hydro-electric potential estimated at 223 gigawatts (billion watts), only 2 per cent of which has been exploited.

Canada has chosen energy as one of its three sectoral priorities, because the link between energy and development is very real, and Canada has internationally-recognized expertise in this field. The plight of developing countries provides a great challenge to the Canadian private sector to adapt our energy strengths to their needs. In 1982/83 CIDA's bilateral energy projects accounted for approximately \$120 million -- one of the highest percentages of bilateral assistance devoted to energy among donor countries. Projects are concentrated in the areas of power generation and distribution, and include the construction of transmission lines in Kenya and Tanzania, rural electrification projects in Thailand, Egypt, Cameroon and the Ivory Coast, and major power generation projects in India, Pakistan, Madagascar and Ghana. In addition, Petro-Canada International Assistance Corporation was specifically established to help developing countries in the exploration and development of hydrocarbon energy resources.

Complementing these major undertakings are initiatives in smaller-scale energy technologies. The Industrial Cooperation Programme is active in the field of small and renewable energy technology (solar energy, wind generators, mini-hydro equipment, methanol and ethanol plant components) while the Non-Governmental Organizations Programme is involved in appropriate technology projects such as the Canadian Hunger Foundation's introduction of biogas cooking units in India. The federal government has increased its contribution to the International Development Research Centre, in support of its efforts to develop appropriate Third World energy technology.



In addition, the government has recently announced that it will commit \$15 million through CIDA's Bilateral Programme to evaluating and implementing systems for the production of energy from renewable resources in various countries of Francophone Africa, as part of a programme to develop energy resources on that continent. This programme will involve developing solar energy using photovoltaic technology, which appears to be the most promising way of meeting the needs of isolated communities.

#### Human Resources Development

Although Canadians are only a few generations away from the time when education was a luxury enjoyed by a small minority, we sometimes take it for granted. Yet education and training -- formal and informal -- played a huge role in our development and are vital to all aspects of development in the Third World. Only by improving the well-being and abilities of its own people can a Third World country ensure that development will be indigenous, will serve national goals, and will reduce dependence upon foreign assistance and technology.

The World Bank has noted that investment in social sectors yields higher returns than investment in physical infrastructure; and that, for example, primary education is probably the best investment a developing country can make because it yields returns of up to 20 per cent in economic terms. Universal primary education results in falling infant mortality, lower population growth rates, rising agricultural productivity and improved health. Farmers with only four years of primary education produce 8 per cent more than those without schooling. When inputs such as better seed and irrigation are available, the figure jumps to 13 per cent. Similarly, often the most important aspect of health programmes is not building a clinic in every community, but rather making people aware of what to do to improve health and nutrition. Conversely, illiteracy retards development, reduces an individual's contribution to the community, and makes a human being dependent and vulnerable to exploitation.

Investment in human resources, which takes in education in its broadest sense, is a priority in CIDA's development assistance programme. People are emphasized as being both the means and the end of development. CIDA's objectives are to increase skilled human resources in developing countries, to reach target groups which have been bypassed by economic growth, and to meet basic human needs as a means of improving labour productivity and the well-being of the population as a whole.

Human resources development is reflected in a great diversity of CIDA projects -- not only in attempts to expand Third World education systems, but in efforts to improve management and other skills so that projects can flourish after Canadians have returned home. Both in Canada and in developing countries, CIDA supports training programmes in dozens of fields: health, agriculture, cooperatives, education, public administration, and in the leadership skills needed to bring rural and community development schemes to life. Many Canadians have served overseas in a variety of capacities and



Canada is recognized for the quality of its technical assistance resources, both human and physical. CIDA intends to increase its technical assistance activities significantly.

#### Other Sectors

The three priority sectors for Canadian assistance - agriculture (including forestry and fisheries), energy, and human resources - cover a very large part of Third World needs and Canadian capabilities. There are, however, many other fields in which their needs and our competence overlap, and a beneficial match can be and has been made.

Canada has varying degrees of expertise, and has provided considerable assistance, in such sectors as transportation, communications, water supply, resource surveys, human settlements, environment, health and population, among others. Canada has also provided substantial development assistance in the form of shipments of industrial commodities, such as aluminum, copper and paper, to help Third World countries overcome production bottlenecks or balance-of-payment difficulties.

## WOMEN IN DEVELOPMENT

Picture a farm worker tilling the fields in Africa or Asia. Chances are your mind conjures up the image of a man, right? Then consider these facts:

- in Africa, women do about 80 per cent of agricultural work;
- in the Third World as a whole, women produce 50 per cent of the non-imported food;
- in Benin, Burundi and Liberia, there are significantly more women than men in the labour force;
- in Kenya, Lesotho and Botswana, women head one-third of households;
- one billion Third World women live in rural areas, with agriculture as their primary occupation;
- particularly in SouthEast Asia and West Africa, women dominate rural market trade, upon which local economies and family sustenance depend;
- Third World women have a vital influence on the quality of education, nutrition and health care.

Cultural patterns in the North and South have often conditioned people to regard men as the primary agents of economic and social progress, with women and children being considered as passive beneficiaries. This cultural mind-set blinded many people not only to the actual role of Third World women in their societies and economies, but also to the enormous latent power of women to effect change, if given a helping hand.

In very recent years, an attitudinal change has begun to emerge. Widespread concern for the human rights of women has led to the growing perception that equality must pervade and contribute to the process of development, rather than be awaited as a hoped-for result. There is a growing realization in the North that assistance programmes, to be effective, must take account of the dominant and front-line role played by Third World women in important economic sectors. As a result, there is a slowly developing capacity within donor and recipient countries to plan assistance programmes aimed specifically at women, and to take better account of the role of women in all programmes.

Through CIDA, Canada funds rural women's cooperatives in Bangladesh, health care programmes for rural women in Senegal, training programmes for women garment workers in Jamaica and teachers in Kenya. In cooperation with non-governmental organizations, and through support for a variety of international agencies, Canada is involved in a great number of programmes directed specifically toward women.

It is evident, however, that the number and scope of such programmes do not meet the potential of women to bring about beneficial economic and social change. Problems of attitude remain, as well as large gaps in information and understanding. We cannot wait for all the answers before taking further action. The question is probably not whether we should respond to the needs and potential of women in development, but how can we do it better?

## NEW TECHNOLOGIES AND TRANSFER OF TECHNOLOGY

Technology transfer has been a major issue within development thinking and the North-South Dialogue, particularly in the past 10 years. It has sparked United Nations conferences, angry debates, demands and refusals. In all of this, Canada - both an importer and exporter of advanced technology - has tried to play a moderate, bridging role between the often opposed positions of the developing and the industrialized countries.

A very large and diversified transfer of technology is, in fact, proceeding - most of it through the private sector, often via multinationals; some through the rapid growth of South-South exchanges, trade, and even the recent spread of Third World multinationals. A significant part of the process, however, is taking place through development assistance programmes, including Canada's. Many questions arise - about what various developing countries really need, about what we have to offer, and about the terms, techniques, and impact of such transfers.

In 1969, the Pearson Commission pointed out the inability of developing countries to carry out research into their particular problems, and the gross inadequacy of their share of the world's research and development activity. Part of Canada's answer was the International Development Research Centre (IDRC), which since 1970 has provided about \$280 million to fund 1,600 projects in such fields as agriculture, food, nutrition, health and information.

The Canadian response also includes a wide range of initiatives in other areas of development assistance - such as support for the international network of agricultural research centres specializing in Third World crops and regions, or bilateral projects based on transfer of technology (extra-high-voltage transmission lines, refrigeration for fish). Technology is also a key element in many projects supported by Canadian voluntary agencies, educational institutions and business firms (jute-plastic manufacture, solar cookers and pumps, water-evaporation units).

The first Brandt Report noted that in 1978, at the UN Conference on Science and Technology for Development, it was proposed that 20 per cent of the world's research and development should take place in the Third World by the year 2000, as opposed to the then current 3 per cent.

The whole drive toward development is largely an effort to acquire and absorb better technology so that people's lives can be enriched. Countless questions of ends and means, rights and costs, benefit and harm have arisen, and will continue to arise. The questions are often subtle, and the answers incomplete, in many respects.



## POLITICAL AND HUMANITARIAN ISSUES

### HUMAN RIGHTS AND DEVELOPMENT ASSISTANCE

For Canada, human rights are not only a moral issue, but an important feature of the social justice theme of our foreign policy framework, and an element of our international obligations and relations through our affirmations of the UN Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the Covenant on Economic, Social and Cultural Rights. With heightened awareness of the issue resulting from reports of persecution in Central America and other areas, there are questions as to how the importance Canadians attach to the basic principles of civilized human conduct and fair play is taken into account in the ODA programme.

Discerning the differentiation in the types and degrees of human rights violations and in the political and social milieus in which they arise, Canada has not developed a single, absolute normative standard against which to judge the human rights behaviour of other countries and to condition our political and economic relations with them. The approach has been to try to assimilate human rights considerations into the broader matrix of foreign policy and to determine the relative weight of human rights considerations in the light of overall objectives in particular circumstances.

### Bilateral Assistance

Varying gradations of human rights violations exist among several of the recipients of our bilateral assistance, with the result that a very active approach to human rights in the ODA programme would mean ceasing assistance to many countries. While the Government has been pragmatic in its approach, it is clear that gross violations should not be endorsed, even very indirectly, by the maintenance of a substantial ODA programme. On the other hand, populations already suffering because of these violations should not be doubly penalized by the withdrawal of ODA programmes.

While Canada's bilateral assistance programmes are developed in collaboration with the government of the recipient country, they involve specific projects which are designed to improve the social and/or economic situation of the people of the country. In addition CIDA provides financial support for the direct initiatives of many Canadian firms, institutions and non-governmental organizations in these countries.

The following recommendations were contained in the Report of the Parliamentary Sub-Committee on Canada's Relations with the Caribbean and Latin America which was tabled in the House of Commons on November 30, 1982.

That... "Canadian development assistance be substantially reduced, terminated, or not commenced in cases where gross and systematic violations of human rights make it impossible to promote the central objective of helping the poor. In other cases, the Government should exercise caution in

tying development assistance programmes directly to the human rights performance of governments".

That... "Where countries that qualify for Canadian assistance are showing improvement in their respect for human rights, the government should encourage this process by a substantial increase in its assistance. Where countries have a poor human rights record but not so extreme as to justify the termination of aid, Canada's development assistance should be channelled mainly through the private sector, and particularly through non-governmental organizations which work directly with the poor. In such cases, the Government should direct a portion of its assistance to organizations which are struggling to maintain and protect civil and political rights. Where countries systematically violate human rights or otherwise do not qualify for Official Development Assistance, Canada should seek, through international organizations, to extend humanitarian assistance and to support those struggling for human rights".

The first recommendation sums up the current approach of the development assistance programme to the human rights question. While the second recommendation is somewhat different in suggesting a closer linkage between ODA and human rights than contemplated in the preceding recommendation, the ODA programme does indeed attempt to reinforce positive trends and to bypass official channels if these are not effective for development. The Government has accepted the first recommendation and, with the respect to the second, has stated that "the human rights records of development partners have been and will continue to be relevant to decisions regarding the nature and extent of our programme."

#### Multilateral Assistance

Concerns have been expressed about the human rights performance of certain countries and there have been suggestions that the decisions of international financial institutions should be influenced by, inter alia, human rights considerations.

The present constitutions of the World Bank and other IFIs state that only economic and financial criteria should be applied in the consideration of projects for financing. These include developmental criteria and judgements on the technical soundness of proposals. Canada has resisted pressures to have funding decisions based on political considerations, rather than economic or financial criteria. The reasons for this policy are that the objective of the IFIs is development assistance, and politicisation could unduly restrict their activities and penalize the ultimate beneficiaries of such assistance, the peoples of developing countries. Moreover, the introduction of political considerations could cause difficulties for the management of IFI activities since these considerations are highly subjective, volatile and unpredictable, and they could affect the stability of managing projects of a long-term nature involving very large sums of money.

The Report of the Parliamentary Sub-Committee on Canada's Relations with the Caribbean and Latin America recommended that:

"The Government affirm the principle that international financial institutions encourage peaceful economic development by supporting all countries and projects that meet legitimate development criteria. Countries should not be excluded because of ideological considerations."

## COUNTRY ELIGIBILITY - BILATERAL DEVELOPMENT ASSISTANCE

A number of factors have a bearing on a country's eligibility status:

- in terms of a particular developing country, the factors include its level of need, its commitment to development, the human rights situation, its absorptive capacity, etc.
- in terms of Canadian interests, the factors include political considerations - such as Canada's bilateral relations, the role of the developing country in the regional and world community, the status of the developing country as a member of the Commonwealth or la francophonie, involvement of Canadian business, institutions, NGOs or religious groups in the country - as well as commercial considerations.
- special crisis factors might include periods of reconstruction, political upheavals, natural disasters, etc.

Canadian policy includes a concentration of assistance on the poorest countries. Canada was primarily responsible for the adoption by the United Nations in 1981 of a target of .15 per cent of GNP for ODA for the Least Developed Countries (LLDCs). In addition, current Canadian policy provides that 80 per cent of bilateral development assistance be provided to low-income developing countries (defined as having per capita income of less than U.S. \$625 in 1978).

Canada currently undertakes bilateral activities within the following eligibility structure:

### Category I - Core

A long-term substantive commitment to development is envisaged, and is represented by relatively large budgetary allocations, long-term, extensive, ongoing analysis and planning, and significant administrative resources. Canadian interests are primarily developmental, with geopolitical and commercial interests as essential considerations. Multi-year commitments and the use of all transfer mechanisms are permissible for countries in this category.

### Category II - Non-Core

This category is composed of countries where a significant Canadian presence is required for developmental, political and commercial reasons, but where - because these countries are relatively less important for the ODA programme, are in a state of political uncertainty, or because of administrative resource constraints - a full-fledged long-term ODA programme is not appropriate or feasible at present.



Interventions will be based on considerations of developmental impact, but long-term political and commercial relationships could also be a significant consideration in the types of activities or mechanisms used in programming. The use of all transfer mechanisms are permissible for countries in this category.

#### Category III - Visible Presence

A major Canadian ODA presence is not anticipated in these countries. Bilateral programmes and projects would not be undertaken. Programme mechanisms would be restricted to Mission Administered Funds (MAF), and to support for projects through Canadian institutions, NGOs and industrial cooperation. For strictly humanitarian purposes, food aid could also be used. In exceptional circumstances, ministerial authority could be sought for a traditional bilateral assistance project.

#### Category IV - Non-Eligible

Category IV countries have been specifically excluded by Cabinet from receiving Canadian development assistance.

#### Category V - Non-Recipient

Category V is made up of countries and territories which do not receive Canadian development assistance because of their relatively strong economies and/or because they have not achieved full political independence.

Policy guidelines for the planning of bilateral development assistance are that 75 per cent be provided for "core" or Category I countries, 20 per cent for the middle income and other countries of Category II, and 5 per cent for the countries of Category III.

Although the Government reviews the country eligibility framework and lists on a regular basis, the general policy has been to try to maintain some stability, particularly with regard to the major recipients of bilateral assistance. The main reason for this policy is that development is a long-term undertaking which requires decisions which are implemented over several years. This involves commitments from both parties. In addition, Canada wants to ensure the effectiveness of its assistance and protect its investment in projects. Where changes are made that have the effect of reducing Canada's involvement, these are usually phased over time, i.e., projects are completed but no new engagements are undertaken.

Eligibility List

CATEGORY I	CATEGORY II	CATEGORY III	
<u>Americas</u>			
Leeward/Windward Islands	Caribbean Regional	Belize	Chile
Jamaica	Brazil	Bolivia	Mexico
Colombia	Costa Rica	British Virgin Islands	Paraguay
Peru	Latin America	Cayman Islands	Uruguay
Guyana	Regional Institutions	Turks and Caicos Islands	Argentina
Haiti	Caricom	Trinidad and Tobago	Suriname
Honduras	Nicaragua		
	Guatemala		
	El Salvador		
	Ecuador		
	Barbados		
	Dominican Republic		
	Panama		
<u>Francophone Africa</u>			
Cameroon	Algeria	Burundi	
Senegal	Tunisia	Benin	Guinea-Bissau
Zaire	Morocco	Congo	Central African Republic
Sahel	Regional Institutions	Sao Tome (Principe)	Cape Verde
- Mali	Gabon	Gambia	Equatorial Guinea
- Niger	Togo	Mauritania	Comoros
- Upper Volta		Chad	Madagascar
- Regional			
Ivory Coast			
Rwanda			
Guinea			
<u>Asia</u>			
Bangladesh	Regional Institutions	South Pacific Islands	Cook Island
India	Association of South East Asian Nations	Burma	Fiji
Pakistan	Institutions	Turkey	Kiribati
Indonesia	Malaysia	Bhutan	Solomon Island
Sri Lanka	Philippines	Papua New Guinea	Tonga
Thailand		South Korea	Tuvalu
Nepal		Maldives Islands	Vanuatu
China		Singapore	Western Samoa

Eligibility List (continued)

CATEGORY I	CATEGORY II	CATEGORY III
<u>Anglophone Africa</u>		
Kenya	Nigeria	Somalia
Tanzania	Uganda	Djibouti
Zimbabwe	Sudan	Yemen Arab
Ghana	Malawi	Republic
Zambia	Ethiopia	Yemen Peoples Democratic
Egypt	Botswana/Lesotho/	Republic
Southern Africa	Swaziland	Mozambique
Development		South Africa
Coordinating		Lebanon
Conference		Jordan
		Sierra Leone
		Angola
		Regional Institutions
		Namibia
		Seychelles
		Liberia
		Mauritius

IV  
NOT ELIGIBLE

Cuba  
Laos  
Vietnam  
Afghanistan  
Kampuchea  
  
Iran  
Libya

V  
NON RECIPIENTS

<u>Americas</u>	<u>Asia</u>
French Departments and Territories	Abu Dhabi
Netherlands Antilles	Bahrain
Falkland Islands	Iraq
Venezuela	Israel
Bermuda	
<u>Africa</u>	Kuwait
Moyotte	Oman
Reunion	Qatar
St. Helena	Saudi Arabia
	Syria
	United Arab Emirates
	Brunei
	Hong Kong
<u>Europe</u>	Macao
Cyprus	Taiwan
Gibraltar	
Greece	
Malta	
Portugal	
Spain	
Yugoslavia	

## ECONOMIC AND COMMERCIAL ISSUES

### THE CANADIAN RESOURCE BASE

Canada's ODA programme draws on a large reservoir of skills and capacities in the private sector and in over 400 voluntary organizations and educational institutions. Developing countries have greatly profited from Canadian capabilities in almost every field of human activity and production, including:

- growing wheat
- operating railways
- doing consultative studies
- supplying equipment
- running technical institutes
- setting up telecommunications and electrification systems.

Canada has drawn on the diversity of its own economic development to supply equipment in the fields of transportation, farming, mining, water supply, irrigation, construction and communications. We have provided to the Third World large amounts of food, aluminum, copper, fertilizer, asbestos, and forest products, to name but a few of the more important commodities. Individual Canadians invest a part of their lives in the effort to promote the well-being of the peoples of the South. They include cooperants and suppliers of professional services, engineers and teachers, administrators and consultants, farmers and businesspeople.

Mobilizing Canadian assistance in these and other sectors requires comprehensive and up-to-date information about the Canadian resource base, about its scope, location and availability. Trying to identify what Canada can deliver at any given time is like trying to keep up with a fast-moving target. The availability of goods and services, for example, varies with the health and changing needs of the Canadian economy. The number of Canadian companies and individuals willing to become partners in development abroad is, in part, directly related to the prospects for work at home. Given the urgency of Third World needs, and the economic benefits which can accrue to Canada from our assistance programmes, it is obviously desirable to improve the quality of our information base. It is also necessary to take an interest in which institutions and firms have a consistent and long-term commitment to activities in developing countries, as opposed to a short-term involvement which may be dependent upon supply and demand in Canada.



## DEVELOPMENT ASSISTANCE AND CANADIAN EXPORTS

Several of the ODA programmes involve the provision of Canadian goods and services, the majority of which are sourced from the commercial private sector.

### Tied Aid and Canadian Content

At least 80 per cent of bilateral assistance (exclusive of transportation costs) must be tied to the procurement of Canadian goods and services. The Canadian content of each project is not to be less than two-thirds of the total Canadian cost of the project (exclusive of any local-cost financing by Canada and transportation costs) unless the Cabinet or the Treasury Board approves a lower Canadian content. The "tied aid" policy applies to overall commitments, not on a project-by-project basis. The "Canadian content" policy applies to the Canadian goods and services component of any project, but not to each individual item in that component.

The food assistance programme involves, almost entirely, the provision of Canadian commodities. The only exceptions are the provisions for transportation and a small cash grant to the World Food Programme. The activities of Petro-Canada International Assistance Corporation include a large component of Canadian goods and services.

### Co-Financing

Implementation of bilateral assistance programmes often include projects which are "co-financed" by CIDA with other organizations or other donors, bilateral or multilateral. At times CIDA will participate in a project which is also financed by the World Bank or one of the regional banks. The co-financing may be for a particular project, or CIDA may finance a particular component of a project.

In addition, CIDA has been increasing its co-financing activities with the Export Development Corporation (EDC) and the Arab/OPEC Funds. These arrangements serve to support important development projects which may be too large for CIDA funding and where, as a result, assistance funding can be stretched for greater effect. In addition, they serve to increase the opportunities for financing the provision of Canadian goods and services.

Parallel financing involves CIDA and EDC financing separate components of a development project or separately financing related projects. The effect of combining market-rate credits with concessional CIDA funds is to offer lower-cost credit to the borrower. In all cases, separate but interdependent agreements are signed with the Third World purchaser. Parallel financing involves two separate agencies acting independently in fulfillment of their different mandates.

In Indonesia, for example, the EDC financed a cement plant, while CIDA funded adjacent port facilities for the benefit of the plant and other users. In Swaziland, CIDA provided training and technical assistance for a rural telecommunications project, for which the EDC financed the purchase of equipment. Since 1978, CIDA and the EDC have engaged in parallel financing on 12 occasions, for projects with a total value of about \$740 million.

CIDA has pursued a policy of increased cooperation with Arab and OPEC assistance agencies over the past several years. CIDA is currently co-financing 35 projects in cooperation with Arab/OPEC donors. Total CIDA participation is \$905.4 million and Arab participation is \$1,963.4 million. An example of the type of cooperation includes the Maduru Oya Reservoir complex in Sri Lanka where Canada financed construction of an irrigation dam and where the Saudi Fund for Development (SFD) will finance the construction costs of irrigation canals. Because of CIDA's participation and encouragement of the Saudi Fund, Canadian engineering and construction firms are well positioned to win contracts from the SFD.

#### Procurement in the International Financial Institutions (IFIs)

In reviewing Canada's procurement record there are several standards by which to judge the rate of success in obtaining procurement from IFIs. The record is historical, however, and reflects lags in disbursement of up to seven years from when a contract was awarded. In addition, sub-contracts and Canadian content are not included.

The result of the most recent study by the Development Assistance Committee (DAC) of the OECD reveals that in a straight ranking of the 17 DAC countries surveyed, Canada placed between seventh and twelfth in terms of procurement obtained from each IFI. In all cases the other six Summit Countries obtained larger portions of procurement than Canada. This occurred despite the fact that Canada's contribution levels to the IFIs, among the 17 countries examined, ranged from second in the Inter-American Development Bank Group to fifth in IDA and seventh in the World Bank (IBRD). Canada ranks third in both the Asian Development Bank (AsDB) and Fund and the African Development Fund, behind Japan and the U.S.A.

Because of the principle of International Competitive Bidding (ICB), there is felt to be a relationship between Canada's share of procurement financed by IFIs and Canada's overall share of OECD exports to the developing countries concerned. Figures produced by the former Department of Industry, Trade and Commerce (ITC) indicate that Canadian procurement performance is somewhat in line with or lower than Canada's share of OECD exports to each region. Canada has a 2.2 per cent share of OECD exports to developing countries globally and has obtained a 1.9 per cent share of World Bank procurement.

It is useful to view Canadian procurement from an historical perspective. Taken in aggregate (World Bank Group, IDB and AsDB) our market share has grown fairly slowly and erratically over the last 10 years from between 1.5 per cent and 2 per cent. However, Canada's total procurement has grown from

U.S. \$23.4 million in 1973 to U.S. \$105.8 million in 1981, a rate of increase which exceeds the growth rate of foreign procurement as a whole.

IFI procurement statistics do not take into account the downstream benefits which accrue to firms which successfully compete on bank-financed projects. A complete record of these benefits is not available, although a number of examples are known. For example, the firm of Babcock and Wilcox Canada was awarded the contract for two steam generating plants required by the Mae Moh mining project in Northern Thailand in 1975 and 1976, financed by AsDB. Subsequently, this firm has supplied one additional plant and a Canadian consortium, "CEMAR", an additional four plants, all financed from various non-IFI sources including EDC and the OPEC Special Fund.

It is important to stress that the factors affecting the pattern of Canadian procurement from the international financial institutions are essentially the same as those affecting our non-IFI business in the developing world. Third World business represents a relatively small share of our total exports, namely 10.5 per cent, although this amounts to over 30 per cent of our non-U.S.A. exports. Listed below are several factors which contribute to explanations of Canada's procurement record:

i) Lack of Bids from Canadian Firms

An examination by the former Department of Industry, Trade and Commerce (ITC) of Canadian procurement at the World Bank revealed that in 1977 Canadians submitted only 164 tenders of 7,200 called (2.3 per cent). However, Canadian firms were successful on 42 per cent of the submitted tenders. Data on the regional banks confirm this trend and one conclusion may be that a greater number of bids would lead to a significant level of additional business.

ii) Structure of Canadian Industry

Canada's capital goods sector faced a pronounced declining share of the international export market during the 1970s. In relative terms our share has undergone the largest decline among industrialized countries, from 3.21 per cent to 2.23 per cent. As a result of foreign ownership of Canadian industry, there is some evidence that parent company policy concerning market sharing prevents or inhibits some Canadian subsidiaries from seeking export markets world-wide or from following up on one-time contracts financed by EDC or CIDA.

Canada has a strong procurement record both in consulting services, where firms are generally Canadian-owned, and in supplying commodities under programme loans. Unfortunately, these types of goods and services do not constitute a significant proportion of IFI procurement. On the other hand, there is a reluctance by Canadian contractors to undertake civil works abroad because of the risks involved and higher Canadian costs. Lack of export strength in these sectors is a significant factor in our procurement record.



iii) "Fit" and Competitiveness of Canadian Exports

A related question to the structure of Canadian export industries is the "fit" or matching of project inputs financed by the development banks and Canadian capabilities to supply those goods and services. In the poorest developing countries, trade officials report that there is generally a poor match between Canadian manufacturing and service capabilities and bank-financed projects. As a result, our procurement record in concessional funds, such as IDA, which lend to these countries is very low.

Finally, and most importantly, Canadian firms must have the right mix of price and quality of their goods and services in order to be successful in this market. The requirement for international competitive bidding in IFI procurement makes this absolutely essential. While no detailed analysis of bid results has been undertaken, there is evidence that in many sectors Canadian firms are not competitive.

The low level of Canadian procurement in the IFIs has been recognized as an issue for many years. A number of steps have been taken to improve the situation. Canadian Executive Directors in the IFIs and officials in various government departments have actively supported the procurement efforts of Canadian firms. The Trade Commissioners in developing countries are also in a position to promote IFI procurement through their local contacts. Government trade officials continue to be concerned about Canada's poor procurement record. As a result they have embarked on a new plan of action, disseminating information on project opportunities through the Canada Commerce Newsletter. In addition a more targetted approach, identifying at an early stage bank contracts which match Canadian capabilities, was initiated. A series of conferences, seminars and promotional tours by IFI procurement officials across Canada has been undertaken. The Canadian Commercial Corporation and the Export Supply Centre have also become involved in Canadian procurement efforts, actively and successfully seeking contracts through the IFIs and the recipient countries. The Government, through Interchange Canada, has taken a more activist approach regarding the placement of more Canadians in IFIs.

Efforts have been made to increase parallel financing arrangements with IFIs where there are procurement implications or other advantages. EDC and CIDA have held regular meetings with all IFIs. Areas of mutual interest and compatible procedures are being explored. As for the private sector, there have been some efforts to form more consortia to pursue large-scale projects, (although with limited success), to make more regular visits to the headquarters of IFIs and recipient countries, and to pursue business opportunities at the earlier stages of the procurement process.

The Industrial Cooperation Programme (INC)

The objective of INC is to stimulate increased participation by the Canadian private sector in the industrial development and growth of developing



countries; and to do so through joint ventures and other forms of business collaboration which provide mutual benefits for both the developing country and Canada. Profitable industrial development in the developing world provides employment, import substitution, technology transfer and foreign exchange earnings all of which are key development goals. The Programme addresses itself mainly to the manufacturing sector. This involves a wide variety of activities in support of Project Identification, Project Definition and Project Support activities.

INC administers the Canadian Project Preparation Facility (CPPF), which is directed to the Canadian consultant industry and aims at securing, for Canada, a fairer share of multilaterally-financed capital investment projects in developing countries. INC also makes contributions to non-commercial organizations that assist with the industrial development of recipient countries, e.g., Canadian Executive Service Overseas.

Project Identification includes:

- i) Information analysis, studies (such as investment guides) and dissemination projects - the purpose is to bring together and organize available information, and to ensure that it is made accessible to the business community.
- ii) Missions of Canadian businesspeople to developing countries (including transfer of technology exhibitions abroad) - the purpose is to permit the identification of specific opportunities for linkages between the business community in the developing countries and Canadian enterprises.
- iii) Visits, workshops and seminars in Canada with representatives from LDCs - the purpose is to encourage business contacts and information sessions between Canadian enterprises and their counterparts in developing countries.

Project Definition includes:

- i) Starter Studies - the purpose is to facilitate early identification of possible business collaborations (such as: joint ventures, direct investment, management contracts, production and/or licencing agreements) by financially supporting investigative visits to and from developing countries.
- ii) Feasibility/Viability Studies - the purpose is to assist and encourage companies to examine industrial projects in detail following preliminary investigation.

Project Support includes:

- i) Specific Project Assistance - the purpose is to assist companies in overcoming special and well-defined problems encountered in a business collaboration arrangement such as: special training to fill key gaps in human resources, examination of complex tax legislation, etc.
- ii) Industrial Services Projects - the purpose is to assist, in a general manner, developing countries to improve their capacity for industrial development, e.g., provide financial support to help them draw on the Canadian services sector (consultants, bankers, accountants).
- iii) Technical Input Projects - the purpose is to provide assistance to activities and services supportive of all other activities of the programme. Included are projects which aim at testing in a Third World country environment, a proven Canadian technology prior to its possible transfer.

Canadian Project Preparation Facility (CPPF) - the purpose is to enable Canadian consulting firms to prepare pre-feasibility studies as a lead-in to major capital projects to be financed by international financial institutions such as the World Bank. The evaluation criteria for each proposed project are the developmental impact of the project on the recipient country and the downstream benefits to Canada in terms of goods and services. Eligible projects must lie within areas of Canadian competence, and there must be reasonable indications that Canadian firms are able to supply, competitively, goods or equipment that will be required for the implementation of the resulting project.

Canadian Executive Services Overseas (CESO) - The purpose of this organization is to assist developing countries in strengthening their industrial and economic base by utilizing the services of recently retired Canadian executives. The volunteer executives offer both technical and managerial guidance for specific projects in a variety of sectors.

Aid-Trade Fund

The developing countries offer many export opportunities for the Canadian private sector. However, many of these countries are experiencing unusually serious balance of payments problems which are impeding their development efforts and thus their capacity to import. Their decisions to undertake investments and capital projects often hinge on the availability of external financing on concessional terms. To respond to these needs, for our own benefit as well as theirs, closer coordination of our development assistance and our export financing policies is required.

In the Speech from the Throne, the Government reaffirmed its commitment to devote 0.5 per cent of GNP to official development assistance by the mid-1980s and 0.7 per cent by the end of the decade. This commitment will require an expansion of Canada's traditional development assistance programmes; it will also require new policies and new delivery channels.

In this regard, it was announced in the Budget Speech of February 1984 that the Government would allocate up to one-half of the increase in Canadian official development assistance, as Canada moves towards the target of 0.7 per cent of GNP, to create a special fund in support of an expanded role for Canadian firms in developing countries. By 1990, as much as \$1.3 billion could be allocated to the fund to provide financing for projects which have high priority in recipient countries' development plans, for which Canadian firms are competitive, and for which development assistance financing is required.

It was also announced that the Government would develop guidelines for the use of this fund in consultation with the business community. The object will be to help Canadian firms to provide additional goods and services in support of Third World development and to increase the Canadian share of procurement in multilateral development projects. It is also the Government's intention to enhance industrial cooperation between Canada and developing countries.



## PUBLIC AWARENESS

Surveys have shown that while development is widely supported in principle by a majority of Canadians, ODA issues, policies and programmes are not readily known or understood. Unfortunately, development assistance is frequently seen as public money being "given away" to Third World countries. More information needs to be made widely available to Canadians about the various actual mechanisms of ODA, how ODA money is spent, and the benefits to Canada and Canadians.

The need for greater public awareness of international development issues and activities is widely acknowledged. In the two Brandt reports, the Independent Commission on International Development Issues made the connection between the education of citizens for an interdependent world community, and the ability of governments to take the decisions required by an interdependent world economy. The Commission called for more adequate support, from both government and private sources, to bring development issues into public consciousness. It noted that those countries which have the best ODA performance also provide strong government support for development information/education activities.

In Canada, the Parliamentary Task Force on North-South Relations observed in 1980 that "the challenge of international cooperation must enter our everyday concerns" and recommended that one per cent of ODA be allocated to public information and development education activities. Its report stated that the Canadian people must have greater access to information, and be "persuaded that our efforts in development cooperation can be effective in accomplishing the goals which Canadians support - improving the lives of the poorest people." Members expressed certainty that "when other Canadians share the opportunity we have had to study the challenges as well as the dangers which lie ahead, they will strongly support concrete and practical policies for securing a decent and more just future for all the world's people."

The Government's statement in response recognized the importance of encouraging such awareness and involvement, but without a commitment to the suggested one per cent target figure. It announced the Government's intention "to give increased priority to the promotion, especially by non-governmental organizations, of public awareness and understanding of the problems faced by developing countries", and that it would continue to examine other methods, and the appropriate level of funding, that should be established for such activities.

At present, a wide range of programming is carried out with the support of the Government of Canada in order to inform and educate the public about international development cooperation.

Development education creates a more informed awareness of development issues and problems among the Canadian people, encourages a greater public interest and involvement in international development, and stimulates increased flows



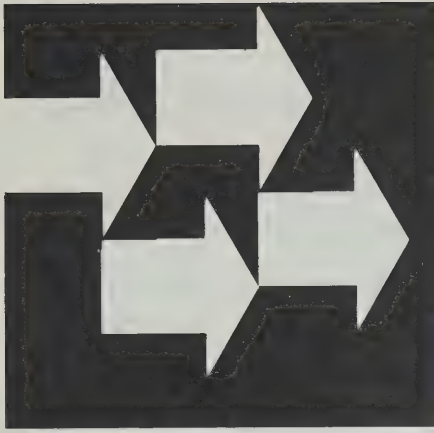
of development assistance from the private sector. It has largely been the prerogative of the non-governmental sector, supported by the Government through contributions to projects and programmes approved by CIDA's Public Participation Programme (PPP), operating from the Special Programmes Branch. The PPP was approved as a full programme in 1979, with a budget for 1983/84 of \$5.4 million.

Funds donated by the public for international cooperation cannot be directly correlated with specific development education programmes. Nevertheless, there has been continuing growth in the amount of funds provided by the Canadian non-governmental sector for development cooperation: from an estimated \$18 million in 1971, to over \$150 million just over a decade later. An informal survey of Canadian NGOs in late 1982 showed fund-raising for development generally much increased over the previous year. This indicates that public confidence in the work of these organizations and institutions is strong and growing, even in a period of severe economic difficulty.

Public information explains to the public the nature and scope of Government involvement in international development issues. This includes both a description of development programmes and the elaboration of policies by CIDA, the Department of Finance, IDRC and Petro-Canada International. With a budget of \$1,470,500 in 1983/84, CIDA's Public Affairs Branch provides information to the media and the various Canadian publics and initiates contacts with journalists to interest them in issues relating to development. Activities of a more general educational nature are also undertaken, including publications, exhibitions, films and audio-visual productions, and a Speakers Bureau.

Many feel that Canadians should understand more about the process of development - especially that Third World countries finance most of their development themselves, that successful results are achieved only over time, that Canada has an important and varied ODA programme that serves a variety of Canadian interests, and that the ODA programme includes predominantly the provision of Canadian goods and services and the involvement of Canadian institutions, non-governmental organizations, and firms. It is also suggested that Canadians need to be aware that by assisting the efforts of developing nations, Canada is contributing to their social stability and their economic progress, which in turn helps them to establish themselves as peaceful and active members of the world community, both politically and economically.





# Official Development Assistance Programme

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## BILATERAL PROGRAMME

The Bilateral Programme is essentially based on agreements between governments to design and implement multi-faceted development plans. It reflects the fact that Third World governments, like any other governments, have the prime responsibility for their national development and should therefore be the initiators of the cooperation with the Government of Canada.

The decision to enter into a development cooperation relationship with a given developing country at its request has to take into consideration the overall Canadian policy framework, and a number of policy indicators amongst which are that:

- 80 per cent of Canadian assistance is to be provided to low-income countries and 20 per cent to middle-income countries.
- 75 per cent of Bilateral assistance is to be provided to selected core countries, 20 per cent to the middle-income and other countries of Category II, and 5 per cent to the countries of minimal Canadian presence (See Section on "issues" - Country Eligibility Framework).

The specific needs of the country must also be taken into consideration, as well as the possibilities to match Canadian capabilities to them and the commercial and political interests Canada may have on a long-term basis to strengthen its links with a region or a particular country.

The assistance provided through the Bilateral Programme may take different forms such as food aid, infrastructure, lines of credit or technical assistance. In addition, other delivery channels may complement the activities undertaken under the programme based on a "country focus" approach. This approach essentially implies that wherever possible, all ODA mechanisms should be used in a coherent and coordinated manner to achieve Canada's overall development cooperation objectives in a specific country.

Since the Bilateral Programme has been and is still used as an important delivery channel for building up the necessary infrastructure conducive to social and economic growth, it involves projects that vary in scope and size depending on the specific requirements of recipient countries. In keeping with the Government's priority on human resources development, however, a greater emphasis on training has become a standard feature of most of these projects.

Bilateral assistance represents approximately 36 per cent of total Official Development Assistance (excluding food aid), 80 per cent of which is tied to the procurement of Canadian goods and services having at least two-thirds Canadian content.

## Geographic Shares and Emphases

Active programmes of bilateral assistance are conducted in Asia, the Caribbean, Central and South America, and both Francophone and Anglophone Africa. While there is a certain commonality in the Canadian programme in these regions resulting from, on the whole, shared sectoral emphases, the problems these regions face and our interests in them vary from one to the other. Large portions of Asia have shown resilience in the face of the recession, but our programme still needs to take account both of the enduring massive poverty in South Asia and the opportunities presented by the emerging economic power of nations in the South East Asian region. While the new programme in China will never have a significant role as a supplier of capital for that immense country, it will help to strengthen our technical and institutional linkages with the Chinese.

Africa presents essentially a different kind of development problem, in both Anglophone and Francophone regions, and particularly in the Sub-Saharan area. The record is grim and experts speak of worsening crisis. While in certain programmes such as the Maghreb, attention is paid to forging the basis for broader relationships with Canada, the emphasis in the African region will continue to be on enhancing agricultural productivity, energy development, upgrading infrastructure, and improving the human and institutional resource base.

As a group, the countries of the Americas have continued to show rapid economic growth, although short-term prospects are negatively affected by the collapse of commodity prices and massive debt burdens incurred by key countries. The region has been the subject of specific policy direction from Government in the last two years which highlight Canada's interest in the stability of the Caribbean region and concern about the political and social polarization and instability gripping Central America. In this latter area, the size and nature of the economies are such that Canadian ODA can play a significant role, but the overall volume and content of assistance will ultimately depend on the evolution of political events.

The geographic distribution of Bilateral assistance among these regions is in accordance with the balances set out and approved by the Government: 42 per cent for Asia, 20-21 per cent each for Anglophone and Francophone Africa, and 16 per cent for the Americas. Within the latter, financial provision is made for the planned doubling of assistance to the Commonwealth Caribbean and meeting the assistance volume target for Central America of \$106 million, both over the period 1982-1987.

## Country focus

An important element of programme delivery is the recent introduction of a "country focus strategy" under which Bilateral programme allocations may be used to finance bilateral development projects or programmes carried out through either Canadian or international NGOs, or international institutions. These channels are used in cases where it is judged that these organizations are the most effective and efficient in the delivery of Canadian development assistance to a given country.\*

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\* For the current fiscal year, \$20 million have been transferred from Bilateral to Special Programmes - See description of the programme, page 81.

The central element of this strategy is the use of all available ODA mechanisms to achieve Canada's development cooperation objective in specific countries. The necessary administrative structures have been put in place, and the formal implementation of the new strategy commenced on September 1, 1982. It is intended that by avoiding traditional internal CIDA limitations upon disbursement mechanisms and concentrating more on the advantages of particular channels in reaching target populations, the new approach will improve Canada's development assistance effectiveness.

## INTERNATIONAL FINANCIAL INSTITUTIONS

The World Bank group (IBRD/IDA)\* and the four regional development banks - the Asian Development Bank (AsDB), the African Development Fund (AfDF), the Inter-American Development Bank (IDB), and the Caribbean Development Bank (CDB) - comprise the IFI Programme.

The development benefits of the IFI programme to developing countries underlie the programme's rationale. Foreign policy and commercial considerations are additional, important aspects of our overall objectives. Foreign policy considerations include Canada's fundamental support for multilateral institutions and our acceptance of the concept of international burden sharing. The level of Canada's participation has permitted the election of a Canadian Executive Director, usually as head of a constituency, on the Executive Board of each institution. The commercial benefits to Canada resulting from this programme are also significant. However, unlike the developmental or political impact, commercial benefits are not directly affected by the amount of Canada's contribution. It is important to note that membership, per se, in these institutions provides all contributing countries with equal access to the commercial opportunities available through IFIs.

Canada's IFI programme has accounted for between 10 per cent and 24 per cent of ODA resources over the last 10 years. A little over half of the programme has been absorbed by the World Bank group. The IFIs account for about two-thirds of Canada's multilateral assistance programme (excluding food aid). During fiscal years 80/81 - 81/82 - 82/83, contributions to these institutions amounted to \$295.41, \$296.43 and \$325.18 million respectively.

### Development Benefits

The primary reason for our support of IFIs is to enable Canada to contribute towards and participate in their effective programme activities in the Third World. The development rationale includes the opportunity to complement existing Canadian assistance channels, to diversify our assistance both geographically and sectorally, to support the administrative effectiveness and efficiency of the banks, and to obtain a multiplier effect of our assistance.

The IFI programme complements other assistance channels by allowing Canada to contribute to the development needs of countries which do not qualify for

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\* For which contributions are under the administration of the Department of Finance



Canadian bilateral assistance. Membership in the banks allows us to support programmes in sectors which are important to the development process (for example, population planning and urban development) in which Canada may not have the expertise, or the inclination to be directly involved due to political, social or other domestic factors. The banks, particularly regional ones, provide important stimulus to self-reliance and the design of appropriate development plans by developing countries. The pooling of international financial and technical expertise, the provision of neutral advice, the programme size, the capacity to share risk, and the ability to apply conditions to facilitate structural change allow these institutions to provide efficient and effective aid.

An important developmental consideration is the multiplier effect of the resources provided to the ordinary capital of the IFIs. The financial structure of the IFIs allows them to borrow on financial markets on the basis of "callable" capital guaranteed by governments. The "callable" portion of Canada's subscription of course represents a conditional liability to the Government. Therefore, a fixed lending level is generated at a fraction of the cost Governments pay for bilaterally-delivered programmes since the major portion of these commitments is financed through bonds placed on international capital markets. The concessional or "second window" of these banks such as IDA involves direct, unleveraged funding by member countries.

#### Political Benefits

Canada derives important foreign policy benefits from our participation in the IFIs. The programme reflects the Government's approach to multilateralism and North-South relations. Our participation is a basic element of our relations with developing countries, enabling Canada to have an indirect assistance relationship with almost all developing countries while focusing our direct Bilateral programme on some 30 core countries. Our participation gives Canada influence over the direction of an important pool of resources, allowing us to further our political, trade, and assistance policies and priorities. Moreover, the present level of participation provides Canada with a seat on the Board of Directors of each of these institutions. In most cases, the Canadian Executive Director also represents a multi-country constituency such as the Nordic Group and the Netherlands in the Asian Development Bank and the Caribbean Group in the World Bank.

A certain level of financial participation in the IFIs is also expected from Canada as a summit country and a member in good standing in the community of Western, industrialized countries. Participation is long-term and relatively rigid. Under the normal burden-sharing arrangements practised in the IFIs, it is expected that every donor will assume its appropriate share of financing. Failure by one member to do so, for example, the current U.S.A. problem, has very severe repercussions on the IFIs as a whole.

## Commercial Benefits

Canada's membership in these institutions gives Canadian firms access to an international market in developing countries of billions of dollars annually. Before exploring Canada's performance in competing in this market, it is useful to look briefly at the market itself. When one speaks of IFI procurement, it is important to note that the market being discussed is essentially that portion of the market in developing countries financed by the IFIs. As part of project implementation, procurement is the responsibility of the borrower, subject of course to bank supervision. In terms of size, the World Bank alone has about 1,600 projects currently under execution and is disbursing over \$6 billion per year. Of this amount approximately 60 per cent is for goods, 30 per cent for civil works and 10 per cent for services such as consultancies. A similar pattern exists in the regional banks which collectively disburse somewhat less than the World Bank. International competitive bidding (ICB) is the preferred method of procurement in all IFIs. However, in order to encourage local industry and due to the rapid expansion of bank lending into such sectors as agriculture where local inputs dominate, non-ICB procedures are used extensively and a preference for local industry in the recipient country exists. It is therefore important to note that because of local procurement, the total market available to Canadian firms is significantly smaller than the total annual disbursements. For example, in 1981, foreign procurement amounted to 54 per cent or U.S. \$3.71 billion of total IBRD/IDA disbursements.

In the final analysis, Canada's procurement record in the IFIs reflects the ability of Canadian firms to compete successfully in the export market which results from developing countries borrowing from these institutions. This market is a part, albeit with some unique characteristics, of the total export market which exists in developing countries in general.

Based on available data, in some cases up to June 1982, Canada has obtained on a cumulative basis some U.S. \$930.4 million in procurement contracts for goods and services through these institutions. Total encashed Canadian contributions during this period were approximately U.S. \$1.4 billion. The breakdown in procurement by institution is:

Asian Development Bank/Fund	U.S. \$ 98.1 million
Inter-American Development Bank/Fund	\$ 92.8 million
African Development Fund	\$ 11.0 million
World Bank	\$728.5 million
(of which IDA \$144.6 million)	
<hr/>	
TOTAL	U.S. \$930.4 million

In aggregate terms Canadian IFI procurement represents less than 1/5 of 1 per cent of Canadian Export Trade, and promotion efforts must be seen in the context of a \$1,873 billion total world export market. Nevertheless, it is an important, large, and attractive market. It is also extremely competitive.

The allocation to International Financial Institutions for 1983-84 amounts to \$349.1 million which represents 19.3 per cent of ODA.

## MULTILATERAL TECHNICAL COOPERATION PROGRAMME

This is the channel used by CIDA to fund the general technical cooperation programmes of the United Nations and other international organizations, including the Commonwealth, the "Agence de coopération culturelle et technique", and the system of international agricultural research centres. This channel provides a key complement to Canadian bilateral programmes which are often capital assistance-oriented. It is also an important mechanism through which the Government can meet its priority in human resource development. Under this programme approximately \$123.8 million will be disbursed in the current fiscal year, representing close to 6.8 per cent of Official Development Assistance (ODA).

Some 40 international organizations and programmes benefit from funding through this channel. Canada was a founding member of many of these; e.g., UNICEF (United Nations Children's Fund). Donor contributions are voluntary, and provided annually on a grant basis. Each of the organizations funded has some form of governing body and Canada as a contributor participates in the deliberations that direct the organizations' policies, programmes and budgets.

### Background

Several global trends and recent developments in both the economic and political spheres will influence significantly the grant-funded, technical cooperation institutions supported by CIDA in the immediate and long term. The most important of these trends is the persistent global economic recession which is having severe consequences on the internal economies of donor and especially recipient countries. This in turn affects the relations between the two groups of countries and influences the multilateral institutions through which many of these relations are mediated. Of particular concern is the impact of this economic situation on donor financial support of these institutions.

The 1970s saw a rapid increase in contributions to multilateral institutions, both in absolute terms and as a share of ODA. On the strength of this growth pattern, institutions such as the UNDP, UNICEF, and CFTC put into place administrative mechanisms to handle dynamic real growth. The rate of increase peaked, however, in 1978 and has been declining steadily since then. There are several reasons for this decline. First, the recession in donor countries generally, and political developments in some donor countries specifically, has led to a slowing down of the expansion in overall ODA volume. Second, many donors have reduced their multilateral share of ODA. As donors' own economic problems gained prominence, it has led them to



reassess the volume and basis of their contributions to multilateral institutions generally and to specific institutions as well. Third, while some new donors have begun to contribute to multilateral institutions, they have not fully compensated for the decline in the rate of increase of contributions from traditional donors, and their support frequently involves geographic, sectoral or procurement conditionalities. Fourth, throughout this period financing of IFIs continued to be maintained on the basis of long-term replenishment agreements, so the slowdown in growth in contributions to multilateral institutions generally has meant, for many governments, little growth in their contributions to technical cooperation agencies.

In Canada, a rapid rise in ODA and multilateral contributions in the early 1970s ended in 1978 when constraints on overall government expenditure resulted in a significant reduction in the rate of contribution increases, including the dropping of support to some specific institutions. Over the past few years, the ODA share of the multilateral Technical Cooperation Programme (6.6 to 6.8) has remained relatively constant. While these levels have permitted Canada generally to maintain its rank as a major donor within the institutions funded, inflation has often eroded any increases in grants made to them.

Recipient countries are therefore clearly being affected negatively by the global recession both directly and indirectly, as a result of the reduction in volume of assistance. Simultaneously, the grant-funded technical cooperation institutions find themselves in serious financial difficulties at a time when the need and call for the services which only they can provide is increasing. This is particularly unfortunate given the fact that the experience of two development decades has shown the importance of supporting technical cooperation activities in recognition of the human factor in the development equation.

### Objectives

CIDA's Multilateral Technical Cooperation Programme focuses on the following specific objectives.

- 1) To maintain, through voluntary contributions, a network of strong multilateral institutions which provide development assistance on a multisectoral basis.
- 2) To help solve chronic problems impeding development, through support to selected multilateral institutions involved in the identification and treatment of those problems in specific priority sectors.
- 3) To promote the efficiency and effectiveness of those multilateral development assistance institutions selected for funding by CIDA, and to ensure that their mandates remain valid given changing global conditions and the maturing of understanding of the development process.



- 4) To monitor and contribute to the elaboration of Canadian policies and practices toward key international institutions not funded by ODA but whose development activities are complementary to those institutions receiving Canadian ODA support.

### Policy

Canada generally supports a system of central funding. This is a system whereby available money is channelled through a general fund (such as the United Nations Development Programme). This central funding policy enables developing countries to establish their own priorities and avoids duplicating administrative machinery for each new fund that might otherwise be established by the Specialized Agencies, e.g. the World Health Organization of the U.N. Such a policy has been a cornerstone of Canadian involvement in the technical cooperation activities of the United Nations, the Commonwealth and "la Francophonie", although a limited number of contributions are also being made to activities of special international concern.

### Programme Allocations

The principal recipients of grants channelled through the Multilateral Technical Cooperation Programme are: the United Nations Development Programme (\$54 M)\*, the United Nations Children's Fund (\$12 M), the United Nations Fund for Population Activities (\$9.25 M), the Commonwealth Fund for Technical Cooperation (\$13.2 M), the International Agricultural Research Centres, 14 of which receive support from CIDA (\$11.67 M), the International Fund for Agricultural Development (\$14 M), and the Programme spécial de développement (\$1.3 M). There are also a number of smaller programmes in tropical disease research, education, and the staffing of Canadian junior professionals in appropriate international organizations.

### United Nations Development Programme (UNDP)

The UNDP is the central mechanism within the UN Development System for the financing and programming of technical cooperation. It is multisectoral, providing assistance in the development of human infrastructure in a variety of fields as requested by governments - particularly agriculture, transport and communications, development policy, natural resources, and industry. It operates on the basis of five-year funding cycles, the third of which began January 1st, 1982. The funding target for the 1982-86 cycle was originally

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\* Figures in parentheses represent in Canadian \$ million 1983/84 grants

\$6.7 billion based on 14 per cent growth per annum but current projections are that growth may be no more than 2 per cent per annum. Spending in the second cycle, 1977-81, was \$2.4 billion.

The UNDP is charged with the lead role in coordinating UN system development activities through a network of 114 local offices. In addition, the UNDP provides administrative support for a number of special funds and programmes such as the Financing System for Science and Technology, the Capital Development Fund, the UN Special Measures Fund, and the Voluntary Fund for the UN Decade for Women.

UNDP's main programme thrust is in projects which are designed to be self-sustaining when the assistance period ends. They are designed to promote self-reliance and include the provision of technical and professional specialists, training and some equipment. Recipient countries are closely involved in the process. Currently UNDP total country activities are funded 40 per cent by the UNDP and 60 per cent by the recipient governments. In addition to country activities, UNDP funds regional cooperation activities and global development-related research.

Canada maintains an influential position on the Governing Council of the UNDP and a Canadian was President of the Governing Council in 1982. Currently Canada ranks as seventh largest donor to the UNDP.

#### United Nations Children's Fund (UNICEF)

UNICEF's basic mandate is the provision of assistance to children and their mothers in developing countries. Its programmes focus on the delivery of basic services in health, nutrition, village water supply, social services, and education. Strong emphasis is placed on community involvement, the development of local institutions, and more appropriate technology. In 1982, UNICEF was cooperating in programmes in 112 countries: 46 in Africa, 28 in the Americas, 30 in Asia, and eight in the Eastern Mediterranean. UNICEF distinguishes between three groups of countries according to their development level and child population so that relatively more inputs can be directed to programmes in lower-income countries or where there are special circumstances. The level of gross programme expenditure in 1982 was U.S. \$181 million.

Through the pursuit of its mandate across the five continents, UNICEF addresses one of CIDA's three sectoral priorities -- development of human resources. Moreover, with its grass roots approach and through its effective network of field offices, it has demonstrated a capacity to reach the poorest of the poor in those countries of the Third World facing critical development problems. Canada has always played a leading financial role vis-à-vis UNICEF and is considered a major contributor, both through government contributions to UNICEF general resources, and through contributions made via the Canadian UNICEF Committee which gathers contributions from the Canadian public. Canada currently ranks as the sixth largest donor.

### United Nations Fund for Population Activities (UNFPA)

The UNFPA's basic mandate is to promote understanding of population questions and to assist developing countries directly or indirectly in undertaking population programmes and activities. In essence, UNFPA addresses itself to the solution of one of the world's most serious problems: uncontrolled population growth and its attendant consequences. Since its creation in 1969, UNFPA has played a key role in population assistance at the global, regional and national levels. It is engaged in two general types of activities: the funding of population projects and programmes, and the coordination of international programmes. These are for the most part carried out by the specialized agencies of the UN System, but also by NGOs and national governments themselves.

For the allocation of its resources, UNFPA has developed criteria for priority countries. These criteria, based on economic and demographic indicators, were recently revised and now identify some 52 priority countries in Asia, Africa, Latin America, the Caribbean, and the Middle East. Two-thirds of the Fund's resources available for country activities are allocated to priority countries. The gross level of programme expenditure in 1982 was approximately U.S. \$110 million.

UNFPA over the years has constituted Canada's main channel for international population assistance, although funding provided by Special Programmes Branch to the International Planned Parenthood Federation is increasing rapidly. Canada is a major contributor to UNFPA and currently ranks as the fifth largest donor.

### Commonwealth Fund For Technical Cooperation (CFTC)

Established in 1971, the major purpose of the CFTC is "to take advantage of shared experiences and similarities to promote development in the Commonwealth, thereby demonstrating in a practical way the ideals of co-operation and mutual assistance and strengthening the multilateral link among Commonwealth countries and peoples".

Canada is the largest contributor to the CFTC. We provided \$12.1 million in 1982/83 which represents a share of 34.5 per cent of the pledges. The orientation of the CFTC programmes corresponds closely with one of Canada's basic priorities, i.e. human resources development. Moreover, the programme is able to fill a useful development role by responding quickly to small-scale technical assistance requests of developing countries in accordance with their own priorities.



### Consultative Group on International Agricultural Research (CGIAR)

The CGIAR, co-sponsored by the World Bank, UNDP, and FAO, is an informal group of mainly western donors but including such developing countries as Nigeria, the Philippines, Mexico, India, etc., which supports, by financial contribution and collective decisions on programme and policy matters, the 13 International Agricultural Research Centres (IARCs) dedicated to improving agricultural technology and productivity for the developing countries. Since its inception in 1971 with four Centres, the CGIAR has disbursed over U.S. \$850 million to these institutions plus the nine established since. The spectacular increases in world rice and wheat production through the use of high-yielding varieties and other technologies developed by two of the centres bear witness to their effectiveness.

Canada's contribution to the Centres in 1982/83 was Cdn. \$11.5 million, and currently ranks as the fifth largest donor.

### International Fund For Agricultural Development (IFAD)

The International Fund for Agricultural Development (IFAD) was established in 1976 to mobilize additional resources on concessional terms for the expansion and improvement of food production systems and strengthening related policies and institutions, with particular reference to small and landless farmers in the poorest food-deficient countries.

Projects financed by IFAD have typically been executed by established institutions such as the FAO and the regional development banks, but in future IFAD can be expected to conceive and execute a higher proportion of its own projects.

The high profile of this agency stems from the fact that it constitutes one of the main global financial and institutional responses to the world food crisis. It is also due, in good part, to the fact that IFAD is the most evident example of altering patterns of cooperation, representing a more balanced partnership between traditional donors and the emerging middle-income countries, and particularly the OPEC nations.

A second cycle replenishment at a level of U.S. \$1.1 billion for the years 1981 through 1983 became effective on June 18, 1982. The total Canadian contribution to this replenishment amounts to \$42 million in three instalments of \$14 million. This compares with a contribution of \$33 million to the initial resources for IFAD's first three years of operation. Canada thus remains a major contributor to IFAD, providing 5.8 per cent of the OECD total share. Our current rank is 11th largest donor.



Programme Spécial de Développement (PSD)

The "PSD" is under "l'Agence de coopération culturelle et technique" (ACCT). The decision to create such a programme was taken by the General Conference of December 1975 and was inspired by a Canadian initiative. Implemented in 1977, this program is limited in scope and complementary to the regular programmes of ACCT. It provides for the financing of short-term and ad hoc activities in three areas: training and development, technical assistance and technical studies. In 1983, the planned expenditures were estimated at \$2.8 million.

Canada is the major contributor to the programme.

## INTERNATIONAL HUMANITARIAN ASSISTANCE PROGRAMME

The objectives of the IHA programme are as follows:

- (a) to alleviate human suffering caused by natural and person-made disasters abroad;
- (b) to develop, maintain, participate in and influence a network of effective multilateral and non-governmental institutions providing humanitarian assistance; and
- (c) to strengthen the disaster management capacity of developing countries.

### Activities

The various phases of a disaster require a range of different responses which together are referred to as humanitarian assistance: disaster preparedness, prevention, emergency relief, rehabilitation, and reconstruction. CIDA has different channels through which assistance can be made available to those in need. The IHA programme is that channel within the Agency that is designed to provide a rapid response to the immediate relief and rehabilitation needs of disaster victims.

Accordingly, cash grants are provided to the assistance programmes of multilateral institutions and to Canadian and international NGOs which possess an expertise in this field. This support also is a reflection of Canada's desire to participate in a collective international effort.

Grants are given primarily in support of the regular programmes of three major institutions: United Nations High Commissioner for Refugees (UNHCR), United Nations Relief and Works Agency for Palestinian Refugees (UNRWA), and International Committee of the Red Cross (ICRC). These provide assistance including care, maintenance, and protection for refugees, including displaced persons, political prisoners, and prisoners of war. Grants are also given in support of special country appeals or for projects launched by these and other humanitarian institutions.

To ensure the flexibility needed by an emergency response mechanism, a policy of providing untied IHA programme grants is maintained. In some instances, where Canadian goods and services are deemed appropriate, a grant to an institution may be tied to Canadian purchases or the IHA programme may itself administer such purchases. Similarly, in most cases grants are normally provided unearmarked to a programme in its entirety.

The IHA programme budget is set at two per cent of Canada's Official Development Assistance (ODA), and for FY 83/84 is \$36.2 million. The IHA budget over the past three years has been as follows: FY 81/82 - \$26.7 million; FY 82/83 - \$34.5 million; FY 83/84 - \$36.2 million.

The following table shows the approved commitments for the current fiscal year, as of January 31, 1984.

DEPLOYMENT OF INTERNATIONAL HUMANITARIAN ASSISTANCE  
FOR THE CURRENT FISCAL YEAR - APPROVED COMMITMENTS

1. Regular Programme Support (Core Funding)

<u>Organization</u>	<u>Amount (\$)</u>
. United Nations High Commissioner for Refugees (UNHCR)	5,000,000
. United Nations Relief and Works Agency for Palestinian Refugees (UNRWA)	4,200,000
. International Committee of the Red Cross (ICRC)	525,000
. United Nations Education and Training Programme for Southern Africa (UNETPSA)	350,000
. United Nations Fund for Namibia (UNFN)	200,000
<u>SUB-TOTAL</u>	10,275,000

2. Disaster Relief Fund (Response to Appeals)

<u>Country/Region</u>	<u>Purpose</u>	<u>Organization</u>	<u>Amount (\$)</u>
. Caribbean and Latin America	Emergency Preparedness	Pan American Health Organization (PAHO)	\$ 83,000
. Caribbean	Pan-Caribbean Disaster Preparedness Project	Office of the United Nations Disaster Relief Coordinator (UNDRO)	11,000
. Caribbean	Pan-Caribbean Disaster Preparedness Project	Office of the United Nations Disaster Relief Coordinator (UNDRO)	8,000
. Caribbean	Pan-Caribbean Disaster Preparedness Project	Office of the United Nations Disaster Relief Coordinator (UNDRO)	24,000
. Colombia	Earthquake-tents	League of Red Cross Societies (LRCS)	16,000



<u>Country/Region</u>	<u>Purpose</u>	<u>Organization</u>	<u>Amount (\$)</u>
. Guinea	Earthquake	League of Red Cross Societies (LRCS)	40,000
. Mauritania	Drought	League of Red Cross Societies (LRCS)	175,000
. Mauritania	Drought	Canadian Lutheran World Relief/ Lutheran World Federation (CLWR/LWF)	125,000
. Bolivia	Floods	League of Red Cross Societies (LRCS)	25,000
. Ecuador	Floods	League of Red Cross Societies (LRCS)	25,000
. Peru	Floods	League of Red Cross Societies (LRCS)	25,000
. Lebanon	Conflict	International Committee of the Red Cross (ICRC)	300,000
. El Salvador	Conflict	International Committee of the Red Cross (ICRC)	975,000
. Paraguay	Floods	League of Red Cross Societies (LRCS)	25,000
. Argentina	Floods	League of Red Cross Societies (LRCS)	50,000
. Haiti	Drought/Famine	League of Red Cross Societies (LRCS)	50,000
. Ethiopia	Drought	Canadian Lutheran World Relief/ Lutheran World Federation CLWR/LWF)	100,000
. Ethiopia	Drought	League of Red Cross Societies (LRCS)	250,000
. Ethiopia	Drought	International Committee of the Red Cross (ICRC)	400,000

<u>Country/Region</u>	<u>Purpose</u>	<u>Organization</u>	<u>Amount (\$)</u>
. Ethiopia	Drought	United Nations Children's Fund (UNICEF)	400,000
. Ethiopia	Drought	World Food Programme (WFP)	200,000
. Sudan	Refugees	United Nations High Commissioner for Refugees (UNHCR)	1,000,000
. Central America	Refugees	United Nations High Commissioner for Refugees (UNHCR)	3,000,000
. Pakistan	Afghan Refugees	United Nations High Commissioner for Refugees (UNHCR)	5,000,000
. Thailand	Refugees	United Nations High Commissioner for Refugees (UNHCR)	1,000,000
. East Timor	Civil Unrest/Drought	International Committee of the Red Cross (ICRC)	150,000
. Pakistan	Afghan Refugees	International Committee of the Red Cross (ICRC)	500,000
. Africa	All-Africa prog. (1983)	International Committee of the Red Cross (ICRC)	2,000,000
. Palestine Refugees	Special Relief	United Nations Relief and Works Agency for Palestinian Refugees (UNRWA)	2,000,000
. Sri Lanka	Civil Strife	League of Red Cross Societies (LRCS)	60,000
. Bolivia	Drought	Canadian Catholic Organization for Development and Peace (CCODP)	860,000
. Peru	Drought	Canadian Catholic Organization for Development and Peace (CCODP)	200,000

<u>Country/Region</u>	<u>Purpose</u>	<u>Organization</u>	<u>Amount (\$)</u>
. Peru	Floods	Canadian Catholic Organization for Development and Peace (CCODP)	70,000
. Argentina	Floods	Canadian Catholic Organization for Development and Peace (CCODP)	60,000
. Ecuador	Floods	Canadian Catholic Organization for Development and Peace (CCODP)	70,000
. Paraguay	Floods	Canadian Catholic Organization for Development and Peace (CCODP)	30,000
. Sri Lanka	Civil Strife	United Nations Children's Fund (UNICEF)	15,000
. Uganda	Internally displaced	League of Red Cross Societies (LRCS)	90,000
. Sudan	Refugees	League of Red Cross Societies (LRCS)	50,000
. Iran/Iraq	Conflict	International Committee of the Red Cross (ICRC)	400,000
. Pakistan	Afghan Refugees	League of Red Cross Societies (LRCS)	50,000
. Chad	Drought & Conflict	League of Red Cross Societies (LRCS)	150,000
. Panama	Drought	League of Red Cross Societies (LRCS)	25,000
. Lebanon	Conflict	International Committee of the Red Cross (ICRC)	500,000
. Mozambique	Drought	Office of the United Nations Disaster Relief Coordinator (UNDRO)	50,000

<u>Country/Region</u>	<u>Purpose</u>	<u>Organization</u>	<u>Amount (\$)</u>
. Nepal	Floods	League of Red Cross Societies (LRCS)	50,000
. Honduras	Refugees/Civil Strife	International Committee of the Red Cross (ICRC)	20,000
. Nicaragua	Civil Strife	International Committee of the Red Cross (ICRC)	30,000
. Turkey	Earthquake	League of Red Cross Societies (LRCS)	500,000
. Ethiopia	Drought	Office of the United Nations Disaster Relief Coordinator (UNDRO)	300,000
. Uganda	Displaced	United Nations Children's Fund (UNICEF)	90,000
. Uganda	Displaced	International Committee of the Red Cross (ICRC)	450,000
. Thailand/ Kampuchea	Refugees	United Nations Border Relief Operation (UNBRO)	175,000
. Ethiopia	Returnees	United Nations High Commissioner for Refugees (UNHCR)	150,000
. Honduras	Drought	Canadian Catholic Organization for Development and Peace/Caritas (CCODP/Caritas)	45,000
. Portugal	Floods	League of Red Cross Societies (LRCS)	50,000
. Brazil	Drought	Canadian Catholic Organization for Development and Peace (CCODP)	200,000
. Pakistan	Afghan Refugees	United Nations High Commissioner for Refugees (UNHCR)	3,000,000



<u>Country/Region</u>	<u>Purpose</u>	<u>Organization</u>	<u>Amount (\$)</u>
. Multinational	Palestine Refugees (1984 Prog.)	United Nations Relief and Works Agency for Palestinian Refugees (UNRWA)	2,000,000
. Multinational	Special Relief	United Nations Relief and Works Agency for Palestinian Refugees (UNRWA)	1,900,000
. El Salvador	Internal Strife	Canadian Council of Churches/ World Council of Churches (CCC/WCC)	250,000
. Angola	Drought & Conflict	United Nations Children's Fund (UNICEF)	150,000
. Brazil	Drought	League of Red Cross Societies (LRCS)	425,000
. Brazil	Drought	Canadian Lutheran World Relief/ Lutheran World Federation (CLWR/LWF)	50,000
. South East Asia	Refugees	League of Red Cross Societies (LRCS)	50,000
		<u>SUB-TOTAL</u>	42,100,000
		<u>GRAND TOTAL</u>	52,375,000

## THE CANADIAN FOOD ASSISTANCE PROGRAMME

Canada has provided food assistance for more than 30 years, as long as it has offered development assistance. Since 1951, when its first shipment of food was sent to India, Canada has supplied more than 17 million tons of wheat, skim milk powder, canola oil, and other products amounting to about \$3.2 billion of assistance to developing countries. The origins of the Canadian food programme were based on the existence of substantial wheat surpluses. Today, food assistance represents, not a means of surplus disposal, but a valuable resource for development, one for which Canada, a major food producer, has a "comparative advantage" among donor nations.

### The Global Environment

Ten years ago, the world was facing a global food crisis. The immediate threat of famine in the Indian sub-continent and the Sahel, coupled with the drawdown of world resources to their lowest levels in 25 years, shook the world community into a serious re-appraisal of the importance of agriculture, particularly in developing countries, and the role of food transfers from food-surplus to food-deficit countries. This international concern for food has been sustained, but thinking about the world's "food problems" and its solutions has changed. Some of the important changes have been the following:

- The 1974 fear of mass starvation has receded, but chronic undernutrition remains a staggering problem. If present trends continue, the FAO estimates the numbers of seriously undernourished people will increase from 435 million at the time of the World Food Conference to 510 million by 1990 and then to 590 million by the year 2000. Reaching these chronically undernourished has proved a more intractable task than many imagined in 1974.
- It has become clear that agricultural production is a necessary but not sufficient condition for resolving hunger problems. Even if sufficient food were available, there are millions who could not afford to buy it. The food problem has a consumption as well as a production aspect, and income re-distribution and employment generation are part of its long-term solution, along with increased production.
- Notwithstanding all the current emphasis on expanding food production, improving its distribution, and containing population growth, it is now clear that it will take years, and possibly decades, before many developing countries can meet their food requirements from domestic production and commercial imports. Many developing countries are faced with a widening food gap and for low-income, food-deficit countries alone imports now exceed 40 million tons per annum and require a foreign exchange outlay of \$7 billion.

- The focus of international concern about food and hunger problems has slowly shifted from Asia to Africa. Asia has made rapid strides in increasing agricultural production, and although Asia still has the largest absolute number of poor and chronically undernourished, the undernourished in Africa are now a larger percentage of the total population than they are in Asia. The recent drought in Africa, and the food crisis it has provoked, have dramatized a long-term problem arising from stagnating agricultural production.
- The controversy which has sometimes surrounded food assistance, and the simplistic assessments which often fueled it, have given way to more analytic considerations of how it can best be used. Far more than in the past it is acknowledged that food assistance is a potent resource for development which has been used sometimes well and sometimes unwisely, and which on its own neither causes nor solves the food problems facing developing countries.
- In recent years there has developed a virtually universal emphasis in donor and academic discussions on the increased effectiveness of food assistance through (i) sound food and agricultural strategies, including appropriate policies, as the context for effective food assistance programming, (ii) coordination of food assistance from various donors and integration with other forms of development assistance, and (iii) multi-year programming of food assistance to give recipients the predictability and food security they need to launch important food policy reforms.

### Objectives

During the 1950s the programming of Canadian food assistance represented an uneasy compromise between the needs and priorities of developing countries and the surplus disposal of excess commodities in Canada. Although food surpluses continued to exist throughout the 1960s, the emphasis gradually shifted, and by the 1970s the objectives of Canadian food assistance were predominantly humanitarian and developmental in nature. At the same time, to the extent compatible with Canada's developmental and humanitarian objectives, food assistance was to take account of Canada's economic interest and, of course, it was to be consistent with the general goals and specific objectives of our foreign policy.

This remains the policy framework for the Canadian food assistance programme, though there has been some change in emphasis. Food assistance for refugees, for victims of natural disasters, and for the particularly disadvantaged remain an important element of Canadian food assistance, but the impetus and focus for the programme will increasingly be the contributions which food assistance can make to the recipients' developmental and nutritional status by:

- increasing the quantities of food assistance available in food-deficit countries;

- accelerating the pace of development by freeing foreign exchange and generating domestic resources for investment;
- providing supplementary food to nutritionally-vulnerable groups; and
- offering basic subsistence during emergency relief and rehabilitation situations.

#### The Programme

Today, Canada's food assistance programme is well in excess of \$300 million a year, and it is made available to developing countries for a variety of purposes and through several channels.

Almost half of it is channelled to nutritionally-vulnerable groups. Bilateral food assistance to refugees (such as Afghanistan refugees in Pakistan) falls into this category, as does much of the food provided through Canadian NGOs. But the most important way Canada directs food assistance to the very needy is through its participation in the World Food Programme (WFP), which supports feeding programmes for the nutritionally-vulnerable, particularly mothers and children, and, through food-for-work schemes, provides employment and income in the form of food to labourers who would otherwise be unemployed. However, this form of food assistance is administratively intensive for both donors and recipients, and because there are non-food costs associated with such projects, there are limits to recipient countries' capacity to use food assistance in this form.

However, they do need large quantities of imported grain to meet the "food gap" between their own production and their people's needs, to compensate for the fact that the marketable surplus currently available cannot feed their growing cities. Canada provides such food assistance, usually called programme food assistance, on a government-to-government basis. Scarce foreign exchange which would otherwise have to be used for imported food is thus freed up for other developmental purposes, and the funds generated when it is sold are available to invest in agricultural projects, to fund farmer incentive schemes, to establish security stocks, and to serve other developmental purposes. In this way, food assistance complements and supports the agricultural development which is essential for eventual food self-sufficiency. In some cases, food assistance is directly linked to specific agricultural projects. A good example is the oilseeds developmental project in India, where canola oil from Canada is processed in refineries owned by producer-owned cooperatives and the sales proceeds used to guarantee farmers a fair return on their oilseed crops and to provide the extensive services and inputs they need to improve their productivity.

Finally, Canadian food assistance is provided in response to emergency situations, which in recent years have most often developed in Africa. Government-to-government food assistance to Africa grew from \$50 million in



1981/82 to \$67.6 in 1983/84 in response to the serious drought situation there. At the same time, Canada provides emergency assistance to Africa and wherever else it is needed through its contribution to the International Emergency Food Reserve (IEFR) established in 1975 to strengthen the capacity of the international community to deal with food crisis situations.

### Commodities

In developing countries the staple food, usually a cereal, represents 70-80 per cent of total food intake. In general, undernutrition results from inadequate consumption of these basic foodstuffs rather than from insufficient quantities of specific nutrients, such as protein. This is why grains, staple foods providing balanced nutrition, are the commodities most urgently needed by food deficit countries and why they account for roughly three-quarters of Canadian food assistance. Through its participation in the Food Aid Convention, which forms part of the International Wheat Agreement, Canada has accepted an obligation to provide at least 600,000 tonnes of cereal a year as food assistance.

Other products have a smaller, but important, role in the food assistance programme. Canola oil, which is widely needed and accepted in developing countries, has been a significant portion of the food assistance basket in recent years. Skim milk powder, and other protein-rich foods such as fish, are too expensive for general distribution schemes and are best used selectively for target groups needing protein supplements. The management of the commodity composition of the basket therefore rests on three elements: acceptability to the recipient, relative cost effectiveness, and supply availability. Except in situations of dire emergency, food assistance shipments reflect both underlying economic and nutritional demand and supply criteria.

The following table shows the disbursements under the Canadian Food Assistance Programme by commodity for 1980/81 to 1982/83.

CANADIAN FOOD ASSISTANCE BY  
COMMODITY, 1980/81 to 1982/83

	<u>1980/81</u>		<u>1981/82</u>		<u>1982/83</u>	
	tonnes	million\$	tonnes	million\$	tonnes	million\$
Wheat	376,362	97.6	440,864	122.5	623,358	157.6
Wheat flour	82,831	31.6	84,529	33.9	94,028	38.7
Corn	38,483	11.1	9,669	3.0	1,600	0.9
Skim milk powder	7,939	10.1	7,985	12.8	14,003	16.6
Pulses	3,052	2.2	5,100	3.8	8,500	4.2
Fish	2,743	5.9	2,887	7.8	3,838	9.7
Vegetable oil	9,759	10.3	17,257	14.1	31,737	24.2
Egg powder	26	0.1	-	-	26	0.2
Potatoes	-	-	-	-	562	0.8
	<hr/>		<hr/>		<hr/>	
	521,195	168.9	568,291	197.9	777,652	252.9

## SPECIAL PROGRAMMES

In 1968, the Canadian Government originated a programme to provide support for the work of non-governmental organizations involved in international development. Over the years, these activities have grown rapidly as Canadians become more knowledgeable about developing countries and their people. That initial NGO programme has progressively increased in size and scope, and has spawned a variety of new programmes. Together, these now make up the Special Programmes Branch of CIDA.

The principal objective of the Special Programmes Branch is to respond to and encourage initiatives by both voluntary and profit-oriented organizations and institutions. The Branch assists programmes and projects that:

- promote development, help the poorest people in developing countries, and engender mutual respect, understanding, and goodwill;
- enable Canadian institutions, organizations, and enterprises to cooperate in joint ventures for development, in collaboration with their counterparts in developing countries;
- encourage the participation of the Canadian private sector in international development; and
- increase the awareness of Canadians about the problems confronting developing countries and of Canada's relations with such countries.

Special Programmes uses six delivery channels:

- Non-Governmental Organizations (NGO)
- International Non-Governmental Organizations (INGO)
- Institutional Cooperation and Development Services (ICDS)
- Industrial Cooperation (INC)
- Voluntary Agricultural Development Aid (VADA)
- Management for Change (MFC).

The Branch is involved with 250-300 Canadian and international NGOs, and several hundred private companies or organizations. It annually supports 3,500-4,000 programmes and projects, including more than 1,500 private sector initiatives, in over 100 countries.

The original budget for Special Programmes in 1983-84 was \$151 million. Transfers of \$20 million under "country focus" and \$19.6 million of additional allocations bring the total current budget to \$190.6 million.

### Non-Governmental Organizations (NGOs)

In 1968, CIDA became the first development agency in the industrial world to launch a programme of cooperation between governments and private organizations working in the Third World. The rationale was, and remains today, that people are the key element in development, and that governments must work with them as partners.

There are two basic goals of the work supported by Canadian NGOs: to promote self-reliance among the people of the Third World, and to educate Canadians about development. CIDA's NGO Division gives priority to projects that will increase food production, create jobs, develop human skills, and encourage the maximum use of local resources.

Some Canadian NGOs are mainly fund-raisers, such as the Canadian Catholic Organization for Development and Peace (CCODP) and the Canadian Save the Children Fund (CANSAVE). They exist primarily to establish or work in partnership with developing country groups which they assist to implement the plans and achieve the goals they have set for themselves. Some NGOs collect supplies (frequently books and medicines), while others -- CUSO, World University Service of Canada (WUSC) and Canadian Executive Service Overseas (CESO) are perhaps the best known -- recruit volunteers to work in developing countries, sharing their skills. Some organizations are active on several fronts: for example, l'Assistance médicale internationale (AMI) raises funds and sends medical supplies overseas.

Many NGOs are also involved in development education. Through CIDA's Public Participation Program, they receive funds to help Canadians become more aware of international development needs and activities.

CIDA's support of NGOs also reflects the long-standing support and commitment given by the Canadian people to the work of these groups. For over a century, Canadians have been contributing to NGO overseas development efforts, and each year the donations increase. In 1982/83, Canadians contributed over \$150 million to finance the overseas programmes of more than 300 NGOs based in Canada.

The budget of the programme has grown from an original \$5 million annually to over \$55 million in 1983/84. There are well over 2,000 projects.

### Institutional Cooperation and Development Services (ICDS)

In April 1980, a new programme was created in order to:

- strengthen institutional and professional infrastructures in the developing countries through joint ventures with Canadian counterparts;
- enable non-profit institutions and professional organizations to share expertise and experience with Third World counterparts; and



- provide development services through agencies that sponsor Canadian volunteer, technical assistance and exchange programmes.

ICDS was established in response to the growing role that Canadian institutions are playing in the effort of developing countries to make the most of their people's talents, energies, and skills. It seeks to build collaborative relationships between institutions and organizations from Canada and developing countries, through their working together as equal partners on substantive programmes. ICDS also encourages innovative forms of development cooperation. Preference is given to projects that break new ground and for which funds may not be available from other sources.

The programme has four distinct components.

- 1) Cooperatives and Unions -- works with cooperatives, savings and credit unions, and labour organizations.
- 2) Development Services -- supports six non-profit agencies that provide over 900 professionally and technically qualified Canadians for developing countries with two-year work assignments, and another 100 Canadians for short-term assignments. It also supports two agencies which conduct exchange programmes involving 400 Canadians and 325 Third World participants each year.
- 3) Educational Institutions -- deals with the international cooperation programmes of community colleges, universities and other post-secondary education institutions.
- 4) Professional Associations -- deals with a range of professional associations involving teachers, nurses, etc.

Some funding is also provided for activities that promote awareness of development needs and issues.

The programme is budgeted at \$52 million in 1983/84.

#### Industrial Cooperation Programme (INC)

Authorized in September of 1978, the Industrial Cooperation Programme uses financial incentives to mobilize private sector resources for development, usually via the transfer of technology process. It is based on mutual benefit between Canada and developing countries, and offers flexibility in arrangements.

Through this programme, Canadian companies may receive contributions that reduce the "risk costs" of investigating joint ventures, licensing arrangements, long-term management contracts, co-production agreements, and other forms of cooperation in the Third World. INC also allows developing

country counterparts to visit Canada, and provides for the training of key personnel and similar activities. The testing and adapting of Canadian technology to local conditions is provided for by contributions under the Canadian Technology Transfer or Renewable Energy Facilities channel. Canadian institutions and business associations may receive contributions for studies, seminars and workshops, and for training and technical assistance projects. Missions to and from Canada to bring potential partners together are an ongoing function of the programme, as is providing information worldwide through Canadian business and technical periodicals or commissioned studies on opportunities in the Third World.

Direct technical cooperation through both Canadian and Third World organizations is funded under the programme. Financial assistance for pre-feasibility studies of large capital projects is provided to Canadian consultants via the Canadian Project Preparation Facility when required by developing countries as a prerequisite to multilateral financing. Long-term industrial contributions are also available to developing country governments so that they may have access to Canadian expertise to develop and implement their industrialization programmes, strengthen their institutions, and set priorities for economic growth.

Under this programme, CIDA stimulates and responds to requests for assistance based on such criteria as the potential benefits to the developing country and to Canada, the chances of success, and the applicant's capacity to implement. Project support ranges from a few thousand dollars to a maximum of \$350,000.

INC has a budget in 1983/84 of \$23 million.

#### International NGOs (INGO)

More than 120 international non-governmental organizations (NGOs) have collaborated with CIDA's International NGO Programme since it was created in 1974. International NGOs give an added dimension to CIDA's development assistance activities by strengthening the local and regional capacities in fields where Canadian-based NGOs may be over-extended or not currently active. These organizations range in size from the Asian Community Health Action Network, with member groups in 15 countries, to the International Planned Parenthood Federation, with member associations in 110 countries.

INGO's support for such widely respected agencies as the Society for International Development (SID) and the International Institute for Environment and Development (IIED) is part of Canada's participation in the continuing North-South dialogue. Through international organizations, CIDA is also able to promote the "South-South dialogue"; for example, by making it possible for peasants in the Sahel's dryland conditions to learn creative approaches from Mexico.

The International NGO Programme has a budget of \$14 million for 1983/84.

#### Management for Change (MFC)

This is a relatively new programme designed to develop innovative ways of strengthening the management capabilities of developing countries, so that they can make efficient and productive use of their resources and meet the rapidly changing needs of their societies in the context of their own resources, cultural setting, and social dynamics. It recognizes that Canada and developing countries can work together in dealing with management questions and problems, and learn from each other's experience. Activities are specifically oriented to top-level decision-makers and senior executives in the broad area of the public service. MFC emphasizes collaboration and sharing of information and experience.

In this programme, the accent is on activities at the policy and strategic level, which may include seminars, short-term work assignments, and short-term missions and awards. The keynote of the programme is flexibility and the capacity to promote and support creative initiatives quickly and effectively.

Management for Change has a budget for the fiscal year 1983/84 of \$4 million.

#### Voluntary Agricultural Development Aid (VADA)

This programme is a federal-provincial effort to encourage Canadians who want to help fight hunger in the Third World. Created in 1975 as part of Canada's food assistance programme, VADA became one of CIDA's Special Programmes in 1979/80. Its goal is to spark a variety of voluntary initiatives that will reinforce other Canadian efforts to help the people of the developing countries improve crop production and food security.

VADA operates as a partnership between the provincial and federal governments, which share project costs. Through VADA, various provincial governments have undertaken several different sorts of activities. They have arranged training courses in fisheries and potato technology. Goods such as food, milk powder, insecticide, tools, and seeds have been shipped to many parts of the Third World. And rural development programmes have been started in poor countries such as Lesotho and Upper Volta.

This year, VADA is providing \$3 million in support to agricultural projects.

JOINT CONTRIBUTIONS BY CANADIAN NGOS AND PRIVATE FIRMS  
COMPARED TO CIDA's SPECIAL PROGRAMMES CONTRIBUTIONS

(millions of dollars)

SOURCE	1981/1982	1982/1983	TOTAL
Canadian NGOs and Institutions	118.3	146.6	264.9
CIDA	90.8	110.5	201.3
TOTAL	209.1	257.1	466.2
Canadian Firms*	-	-	-
CIDA	15.6	18.2	33.8
TOTAL	15.6	18.2	33.8
GRAND TOTAL	224.7	275.3	505.0

\* Data on the contributions of private firms are not available.



INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (IDRC)

Fifteen years ago, the Pearson Commission pointed out that developing countries were at a substantial disadvantage in engaging effectively in research of their own design. As part of Canada's response, Parliament created the International Development Research Centre (IDRC) in 1970 "to initiate, encourage, support and conduct research into the problems of the developing regions of the world and into the means of applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions".

Ottawa-based and funded by Canada, the IDRC has an international board of governors and maintains regional offices in the Third World. The Centre's operations are guided by the principle that development solutions, if they are to be self-sustaining, must be arrived at mainly through the efforts of those affected. From 1970 to 1982/83, the IDRC funded more than 1,600 projects totalling \$278 million in such fields as agriculture, food and nutrition sciences, health sciences, information sciences, and social sciences. Cooperative programs were launched in 1980 to promote collaboration between researchers in developing countries and their Canadian counterparts. IDRC disbursements were almost \$54 million in 1982/83, and the appropriation for 1983/84 is over \$67 million (3 per cent of ODA).

The following is a breakdown of activities for 1982/83:

- Agriculture, Food and Nutrition Sciences	75 projects	\$17.7 million
- Cooperative Programmes	21 projects	3.6 million
- Health Sciences	32 projects	5.7 million
- Information Sciences	30 projects	5 million
- Social Sciences	113 projects	10.8 million

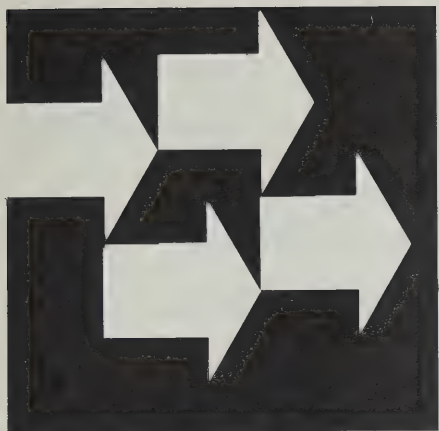
PETRO-CANADA INTERNATIONAL ASSISTANCE CORPORATION (PCIAC)

PCIAC was established in 1981 as a subsidiary of Petro-Canada. Its prime objective is to assist developing countries in reducing their dependence on imported oil by using Canadian technology and expertise for oil and gas exploration and related activities.

In carrying out its mandate, PCIAC will also help to make Canadian expertise in the petroleum industry more widely known in the Third World, which can lead progressively to commercial spin-offs from its exploration assistance. This will help Canadian firms in the oilfield supply and services sector during the current cyclical downturn in the industry, thus providing a direct benefit, particularly to Western Canada.

PCIAC's funding level is \$55 million in 1983/84, or 3 per cent of ODA, and will reach 4 per cent of ODA by 1985/86.

Projects have been approved in 15 developing countries: Barbados, Haïti, Jamaica, Windward Islands, Morocco, Senegal, Gambia, Ghana, Tanzania, Kenya, Sri Lanka, Thailand and the Philippines. Project activities range widely from geological and geophysical surveys to exploratory drilling, and include technical assistance and training.



# Glossary

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ABBREVIATIONS

CPPF	Canadian Project Preparation Facility
DAC	Development Assistance Committee
EDC	Export Development Corporation
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development (also known as the World Bank)
ICDS	Institutional Cooperation and Development Services
IDA	International Development Association
IDRC	International Development Research Centre
IFIs	International Financial Institutions
IHA	International Humanitarian Assistance
IMF	International Monetary Fund
INC	Industrial Cooperation
INGO	International Non-Governmental Organizations
LDCs	Less Developed Countries
LLDCs	Least Developed Countries
NGOs	Non-Governmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PCIAC	Petro-Canada International Assistance Corporation
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestinian Refugees
VADA	Voluntary Agricultural Development Aid
WFP	World Food Programme

## SPECIALIZED TERMS

### Absolute poverty

A condition where people lack the means to meet their basic human needs on a continuing basis and where survival is the immediate objective. In such a condition, people have little or no hope of being self-reliant while trying to improve their economic and social conditions.

### Central funding: United Nations Activities

The policy whereby funds are channelled through the General Technical Assistance Fund of the United Nations system and not through special purpose funds nor the technical cooperation programme of the specialized agencies.

### Co-financing

Financing from more than one donor. It can take different forms including - joint financing when funds from different sources are mixed and administered by one agency, and parallel financing when donors each finance a separate segment of an investment.

### Concessional facilities

Lending sources providing concessional flows.

### Concessional flows

International transfer of financing at less than market rate terms.

### Cooperants

An individual who has been assigned to a CIDA technical assistance project in a developing country. A cooperant is recruited and paid by CIDA or a contracting Agency to carry out work agreed to by CIDA and the recipient country and, for day-to-day purposes, generally reports to an official of the recipient country.

### Developing countries

Those countries with underdeveloped economies, low per capita incomes, low standards of living. Although various international agencies differ in their classification of countries, CIDA utilizes only the OECD classification (ref.: the OECD Development Cooperation 1982 Review). It includes all countries and territories in Africa except South Africa; in America except the United States and Canada; in Asia except Japan; in Oceania except Australia and New Zealand; and the following in Europe: Cyprus, Gibraltar, Greece, Malta, Portugal, Spain, Turkey and Yugoslavia. The categories used within the group of developing countries are generally the following:

- Least developed countries (LLDCs)

Those developing countries without significant growth, with very low per capita incomes and with low literacy rates. (The list of those countries is adopted and amended by the United Nations General Assembly on the basis of criteria which can be modified depending on variable factors).

- Low-income countries

Those countries whose per capita income is low enough to make them eligible to receive credits from the International Development Association (IDA) of the World Bank (\$795 in 1981 U.S. dollars).

- Middle-income countries

Developing countries (other than newly-industrialized countries and OPEC countries) with a per capita income in 1980 exceeding \$600 U.S. (Ref.: OECD Development Cooperation 1982 Review).

- Newly-industrialized countries

This is a group of countries at a relatively advanced level of economic development with a substantial and dynamic industrial sector and with close links to the international trade, finance and investment system. (Ref.: OECD Development Cooperation 1982 Review).

- Non-oil LDCs

Developing countries that are not producing oil and are reliant on imports for their supply. (Ref.: OECD Development Cooperation 1982 Review).

Debt (period of maturity)

Money borrowed for:

- a long-term period, usually more than five years;
- a medium-term period, where the generally agreed maturity period is between three and five years; and
- a short-term period, where the loan has a maturity of one year or less.

Executing agents

A firm, institution or organization which is responsible for the implementation of an international development cooperation project or programme. The agent may be a public or private sector body, and may be a domestic agency or an international institution. An executing agent normally is under some form of contractual arrangement to the donor(s) and recipient country involved.

Food basket

Food commodities that compose the Canadian Food Assistance Programme.

### Green Revolution

International campaign that took place at the end of the 1950s with the aim of increasing the productivity of land by means of the introduction of a science-based technology in the production of food grains. The expression more specifically refers to both the technology and the strategy for the production of high-yielding varieties.

### International Financial Institutions (IFIs)

The following terms are used in the context of the operations conducted by International Financial Institutions.

#### - Burden sharing

This concept refers to the relative financial level or shares of investment or contribution made by member countries, in the form of subscribed capital shares or voluntary contributions, required to support the development programmes and projects of international organizations such as United Nations Specialized Agencies, World Bank and regional development banks. In its application, the "burden-sharing" concept helps to determine the equitable share of developed and/or developing member countries commensurate with their relative economic development status. There are other criteria, albeit of a secondary nature, which are taken into account in the "burden-sharing" concept such as: previous levels of subscribed capital or contribution; accumulative subscriptions / contributions by institution or funded source.

#### - Callable capital

The unpaid portion of the development banks' capital subscriptions, representing up to 90 per cent of their capital structure, is referred to as callable capital. This portion cannot be used for lending but can, however, be called upon if required to meet the development bank's obligations as a borrower or guarantor. As such, this portion represents a "contingent liability" to the country members of the development bank. To date, there has not been a call on the unpaid capital subscriptions, nor is this considered likely given the development banks' enormous financial strengths and conservative operations.

#### - Hard window

The largest source of the development banks' loan funds are ordinary capital or "hard window" resources which are raised on the international capital markets. These funds are then lent by the development banks to their developing member countries (DMCs) to fund specific development programmes and projects. The rate of interest charged by the development banks to the borrowing DMCs is principally determined by the cost of the funds to the banks themselves.



- Replenishment

Refers to the financial resources including various terms and conditions, mobilized on a periodic basis, from donor countries to support the development programmes and projects of international financial institutions. Replenishments are normally negotiated every three to five years, depending on the resource needs of developing countries and level of previous replenishment contributions by donor countries, and provided over a multi-year period.

- Second window

This is the concessional lending facility or "soft window" of the development banks. These funds are mobilized through contributions by donor member countries and are normally lent to the poorer developing countries at no interest, except a small service charge (e.g., .75 per cent), and long maturities (e.g., 40 years).

International liquidity crisis

Situation where many governments have cash flow problems in meeting their current liabilities as opposed to being structurally insolvent.

Lines of credit

Resource transfer instrument which allows the recipient country to use Canadian funds to purchase a wide variety of Canadian goods and services. The variety of goods and services which can be purchased is limited only by a negative list.

Parallel financing

Resource transfer instrument that takes the form of an arrangement with a multilateral institution and/or another bilateral donor whereby CIDA finances a specific component of a given project. This component could consist either of certain specified equipment and services for a total project or a complete identifiable and integrated part of a larger project. It also includes technical assistance from Canada for projects for which the capital components are being supplied by the World Bank or by the Export Development Corporation.

Procurement

The function of obtaining goods and services and carrying out construction and leasing through contractual arrangements.

Technical assistance

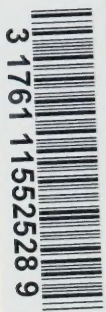
The concept of technical assistance has changed in relation to the evolution of thinking surrounding technology transfer and development assistance in

general. The following definition used by the OECD reflects this broader dimension:

"Technical cooperation is defined as the provision of resources with the primary purpose of: a) augmenting the level of knowledge, skills, technical know-how or productive aptitudes of the population of developing countries, i.e., increasing their stock of human intellectual capital, or b) augmenting developing countries' capacity for more effective use of their existing factor endowment, as distinct from transfers intended to increase the stock of physical capital".







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